# THE BUSINESS WEEK

A Journal of Business News and Interpretation

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CURIOUS ZOÖLOGICAL INCIDENT
*Easter Rabbit Routs Bear*

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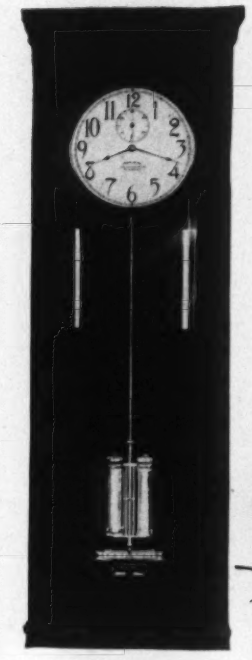

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# What's In This Issue—And Why

COPPER, long pegged at 18 cents, finally succumbs; drops in a day to 14 cents. How it held out so boldly, why it broke, the far-reaching repercussions on business, make the most important news story of the week.

STEEL'S annual "spring peak" may be just a hillock in 1930, but the industry still looks for a 50-million-ton year, expects structural orders to fill up the valleys left by dullness in other markets.

IF United Aircraft should get National Air Transport, the combination would dominate the whole industry. Hence the interest in a complicated struggle.

MUSCLE SHOALS, sacred white elephant, soon will be put out of the political sideshow; must join the work herd. Sudden developments in Congress change the whole picture.

GERMANY has an oil boom. American drilling rigs dot the placid landscape. Shall we lose an export market?

MORE and more men—Senators, Representatives, shippers, labor organizations—are asking, Why merge the railroads, anyway?

LATE coming of Easter has retarded retail trade, but indications are that when it did arrive, it was a great tonic.

ANALYSIS of cash position, inventory, and plant valuation of American industrial corporations will suggest various conclusions to anyone who has to guide business policy.

HARLEY CLARKE, utility magnate, once had a film made for advertising use. It fascinated him; movies became a hobby. He has ridden it to the summit of the movie world—but probably won't desert utilities.

PHILADELPHIA has bought Hog Island, to make an air-rail-water port six miles from City Hall. Thus closes another war chapter.

LATIN AMERICA is coming back into the improved bond market—has begun borrowings that may run to a half billion dollars. Are they all good risks?

WE have saved $121 billions—in savings banks, building and loan associations, capital issues, life insurance. The curve still points onward and upward.

BANK failures are numerous. We're getting a double crop—this year's and those kept alive through 1929 by the late-lamented boom. There is food for Congressional thought in the figures shown.

CONGRESS, studying bank organization, called last week as witnesses two former bank messengers from Austin, Minn. Today each heads 100 banks—the great rival Northwest and First Bank groups.

JAMES W. DUBLIN, of the Dublin Advertising Agency, is in no telephone book, isn't listed in the 4 A's roll. But no one can read his rich, salty letters on life, business, and the world we live in without feeling he is more real than many a man we know in the flesh.

THE BUSINESS WEEK
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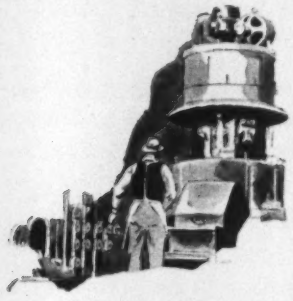
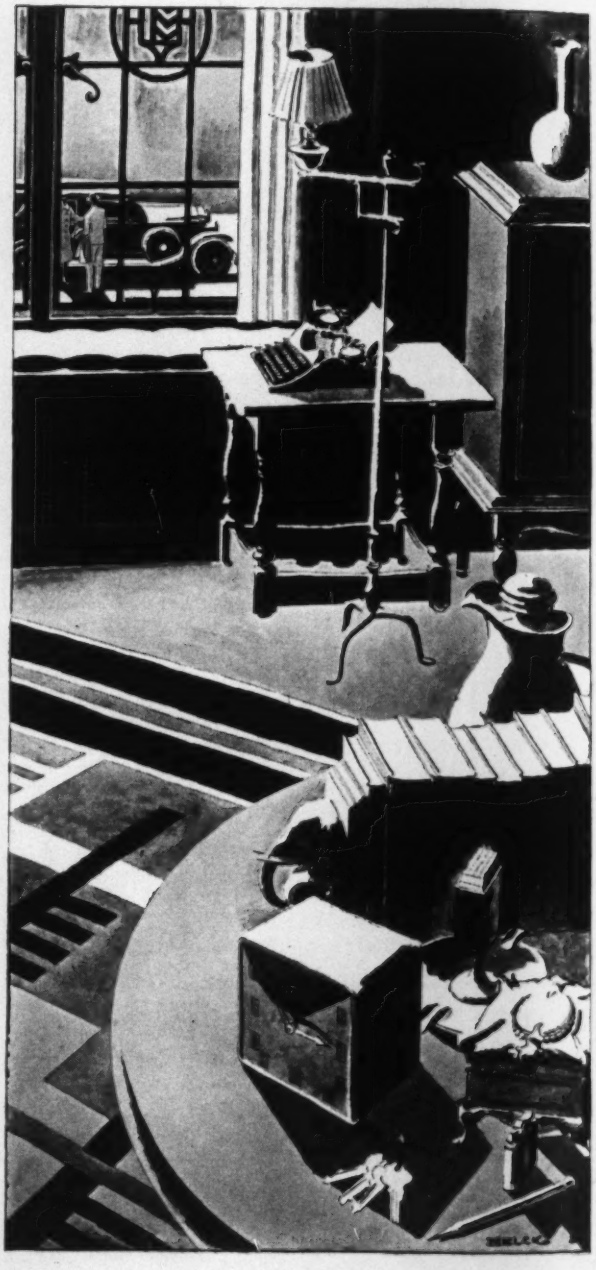
# *from* DOLLAR CLOCKS . . .



. . *to* MOTOR CARS



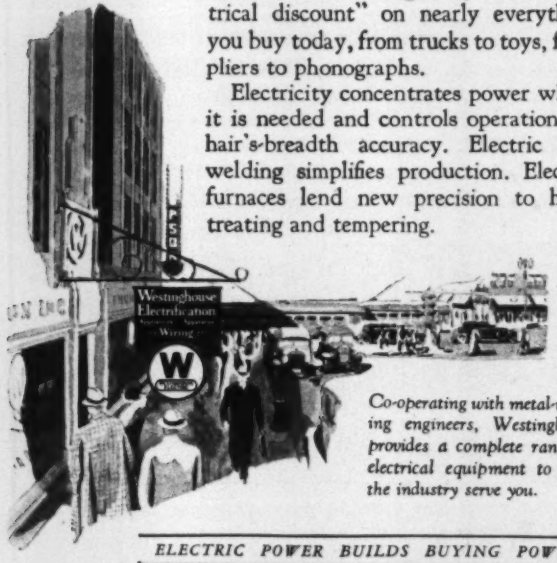
## *the Metal Worker gives you an Electrical Discount*

Eagerly, merrily, in thousands of factories, strange-looking metal shapes tumble out of amazing machines. Into one end goes a raw piece of metal. Out of the other end come gears, bolts, brackets, base plates . . . or what you will. These mass-production machines, plus the electric motors that drive them, make it possible nowadays for moderate incomes to afford automobiles and radios, as well as the leisure to enjoy them.

*Tune in the Westinghouse Salute over WJZ and the coast-to-coast network, every Tuesday at 10 P. M., Eastern Standard Time.*

Take these electrically driven machines off the production lines and in nearly every case the cost of the finished product would be vastly increased. The metal worker thus gives you an "electrical discount" on nearly everything you buy today, from trucks to toys, from pliers to phonographs.

Electricity concentrates power where it is needed and controls operations to hair's-breadth accuracy. Electric arc-welding simplifies production. Electric furnaces lend new precision to heat-treating and tempering.




*Co-operating with metal-working engineers, Westinghouse provides a complete range of electrical equipment to help the industry serve you.*

*ELECTRIC POWER BUILDS BUYING POWER*

**Westinghouse**

# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*




News of the week ending April 19, 1930

# Copper Price Gives Way at Last; Big Users Not Yet Satisfied

## Producers Yield to Buyers' Strike After Pegging Red Metal at 18 Cents for Exactly 365 Days

THE last stand of defiance against the law of economic gravitation gave way spectacularly last week with copper. Alone among prime commodities had it resisted the trend of the times. Its pegged price of 18 cents per pound here and 18.30 for Europe's base ports had excited the envy and admiration of less well organized industries.

Copper men's ability to fix prices and hold them was only equalled by their stubbornness in the face of the inevitable. Everybody in the world except a handful of professional copper producers was convinced that copper was going to flop at least 2 or 3 cents a pound and a universal buyers' strike waited month after month until the metal broke 4 cents on one day.

On December 4 Cornelius F. Kelley, president of the Anaconda Copper Company, told *The Business Week* that he saw no prospect of a drop in price, that talk in London of 15½-cent copper for Pennsylvania Railroad electrification was absurd, that stocks looked so heavy because timid people had been selling a lot of scrap. Bear talk on copper, said he, was stock market stuff. On January 29, however, *The Business Week* opined on its own as follows: "The state of general industrial activity here and abroad will be the determining factor so far as the price trend of copper is concerned over a period of 6 months or more."

### *Price Lasted 365 Days*

The pegged price had endured exactly 365 days, which is a very long time even in copper, for contrary to the general impression the metal's fluctuations over a period of years have been about as varied as those of most prime commodities. From a war inflation of 37 cents it fell to 11¾ in 1921 only to recover to 24 before the end of March, 1929. The present price of 14 cents may be said to represent an average extending over recent prosperous years.

Facts about the break are unknown. Mr. Kelley, admitted leader of the last-ditchers of the 18-cent doctrine, got on a train for the West as soon as the tickers flashed the news. Guggenheim men, admittedly allied to Mr. Kelley's cause, left their offices early and in silence. Phelps-Dodge, admittedly a little lukewarm on the issue but nevertheless favorable to the classic principle, merely announced that their president was resigning and that another one had been hired from a competing copper company. The Lewisohns, open enemies of price-fixing, kept their glee to themselves, as did the other little fellows.

There did transpire, however, upon the ubiquitous ticker an anonymous account which evidently satisfied the publicity source which put it out. It was ingenious enough to satisfy everybody, in fact, except copper men, who paid no attention to it. Kennecott, with an annual production of 80 million pounds and a subsidiary fabricating capacity (Chase Brass) of only 5 million, had come to feel that its efforts by way of refraining from an irruption into the export market were not being fully appreciated by the "smaller producers and custom smelters." Hence the Guggenheim producer felt obliged to seek "its rightful participation in the sales of Copper Exporters, Inc." Hence Copper Exporters, Inc., which can legally fix prices, reluctantly admitted that 14.30 cents per pound C. I. F. base ports of Europe had replaced 18.30. Copper executives in Wall Street, who cannot legally fix prices, just as reluctantly let it be understood that in the face of this reduction in foreign prices it was inevitable that they should meet the cut. This, of course, is the usual and time-honored mechanism for arranging the domestic price of copper without technically running afoul of the law.

### *What Really Happened*

What really happened was even less dramatic. Statisticians of the leading companies—no industry has more statistics or more faith in statisticians—had simply made a mistake. They had calculated that there would be a sharp upturn in copper purchases both here and abroad soon after the end of February. March passed and April came.

On the 18-cent anniversary day it was

## *The Business Outlook*

THE crop of somewhat sour business statistics for last month scattered through the pages of this issue confirm the conclusion that that month marked another relapse in the slow process of business recovery. But it is now fairly safe for a confident Caesar to tell the skeptical Soothsayer that the Ides of March have both come and gone. Recent records reveal a moderate but material improvement during the first two weeks of April. The Easter Business Bunny, numbed by unseasonably chilly weather, has nevertheless been able to give Brother Bruin a mild but provocative kick with his lucky left hind foot. Steel is still uncertain and plods along on a fairly even level without coming to any spring peak to scale; building seems lately to be infected with similar hesitancy; and electric output still lags at a relatively low level. But carloadings and check-money turnover have shown perceptible quickening since the beginning of April, probably reflecting the belated stimulation of Easter trade. Except for the overdue recognition by copper of the world of declining prices we have lived in for some months, commodity markets have strengthened here and abroad. If the stock market can similarly adjust itself to realities without smashing anything in the next month, and if conditions abroad don't get any worse, we should be able to settle down to a fairly respectable domestic life this summer.

painfully realized that March stocks stood at 256,000 tons, up from 88,000 tons last October, and that European, as American, buyers were more stubborn than ever. Evidently the graphs were wrong, the figures had lied. An industry which was theoretically sort of immune from the laws of supply and demand had to come to terms with nature. The National Metal Exchange had to suspend trading because its rules forbid fluctuations of more than two cents a pound in any one session. But on the following day the other two cents was marked down and business was resumed.

### *What the Break Cost*

The money losses to the interests which endeavored to hold up the price of the metal must have been very great. To carry one pound of 18-cent copper for one year costs 1 cent. The charges for carrying an increase in stocks of 168,000 tons in five months were, of course, fabulous. Furthermore, such price-fixing tactics by the leading companies involve other incidental losses for their stockholders. The best-known example is the item which is due to the vicious practice of guaranteeing prices to the smelters when they purchase from small miners at the officially fixed price level. The smelting people, thus insured against loss, help the big companies to keep small miners in line about prices. But when the price breaks 4 cents such insurance costs the companies dear.

Despite the protestations of professionally deformed copper statisticians, practical metal men last week drew four commonsense conclusions:

1. There will be no decrease in production. The notion that the lower price will cut production by 100,000 tons a month is based quite simply on the special pleading of the stand-pat 18-centers.

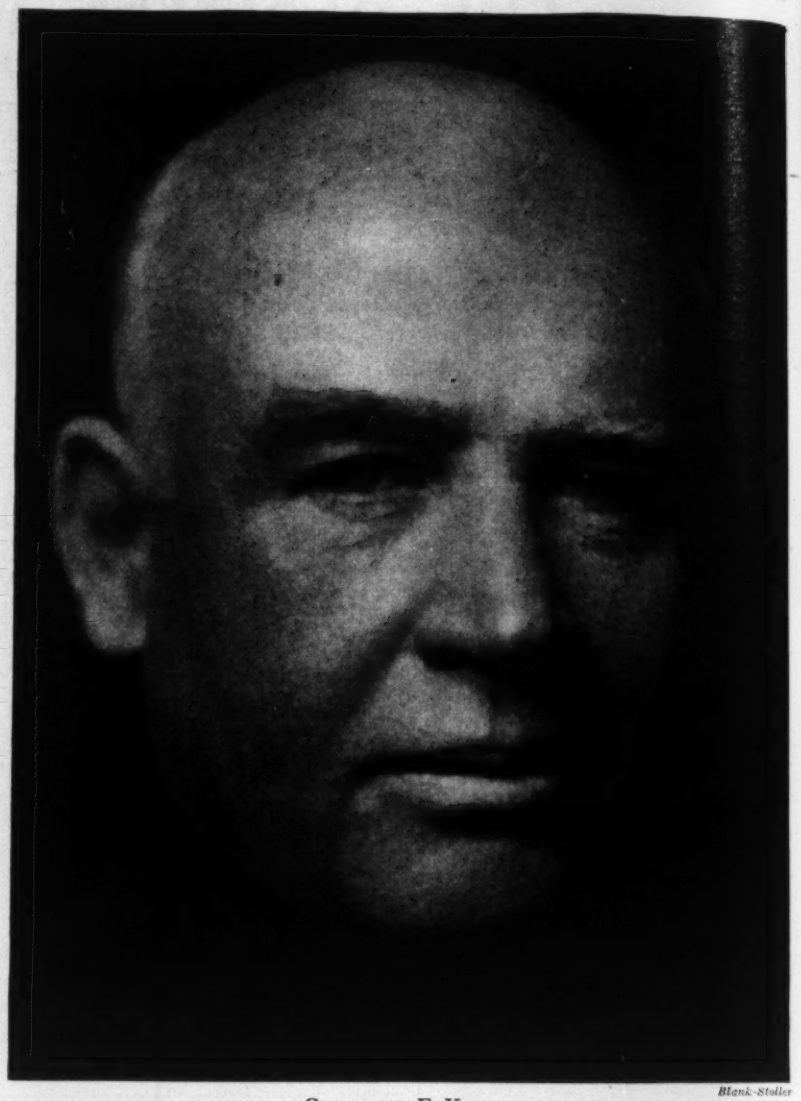
2. There will be a considerable increase in consumption both here and abroad. The whole theory that in copper special relations prevail between demand, supply, and price is fallacious.

3. There will be no unemployment at the mines. Miners are not treated like those textile workers who are under the absentee landlord system of morals.

4. Big buyers feel the 14-cent price is still a little high; that it would have been normal last October; that now, with everything else off considerably, 12 cents would be a more logical price. With average production costs between 9 and 10 cents the industry could very well supply us and the Europeans at this level.

Cheaper copper would aid employment by stimulating electrification and other public utility projects. Financially, the companies may find themselves just as well off with lower prices because they will have stopped losing money trying to maintain an artificial price.

The sadness of the copper episode is of course somewhat relieved by the fact that in this case of costly experiment it was the big fellows who held the bag. The weaker producers profited much and long as a result of the defense of the sacred principle of 18-cent copper.



Blank-Stoller

CORNELIUS F. KELLEY
*Leader of the copper industry, whose statisticians made a mistake*

## Some Inventories Running High

THE STANDARD STATISTICS COMPANY has made a careful analysis of the 1928 and 1929 balance sheets of 572 representative domestic corporations in order to compare the situation of these corporations at the end of each period as regards their cash position, inventory status, and plant valuations. The results, they say, clearly indicate that in certain respects industry entered 1930 in a distinctly less healthy condition than it commenced either of the two preceding years. The cash position of these companies at the end of 1929, including marketable securities and demand loans, was 8.9% lower than at the end of 1928. This contraction is not considered serious because it reflects expenditures for plant expansion and equipment, as well as the depreciation in security values.

Inventories, however, were generally higher than at the end of the two preceding years, and, after making due allowance for year-to-year growth, the Standard Statistics Company concludes that industry's inventory position has steadily become less and less satisfactory in the past two years. The carry-over of unsold goods into the current year is at a dollar value of approximately $4,378,000,000, which is 11.5% greater

than at the beginning of 1928 and 18% higher than at the beginning of 1927. It is noted that the expansion in volume must have been even larger than these figures indicate because of the decline of commodity prices in recent months.

The dollar valuation of plants of these companies showed an increase of 6% over the close of 1928 and of about 10% over the end of 1927. Inasmuch as industrial building during 1929 was on the whole moderate, while machinery manufacturing was extremely active, this increase in plant valuations is considered to reflect heavy expenditures for installation of new machinery to effect operating economies rather than actual plant extension. This suggests somewhat excessive capacities in face of current demand and a probable tendency to reduce further outlay over the next several months.

### *Prospects for 1930*

In so far as production has been drastically curtailed throughout the last half of 1929 and so far in 1930, and commodity prices have apparently ceased to decline further, the prospects of gradual readjustment of the inventory situation are considered good if conservative production policies are followed. This implies relatively quiet industrial activity in most lines a good part of this year. While the strong cash position of the representative corporations included in this study would suggest a fair prospect for maintaining dividends, the employment prospect is not so reassuring.

The relative position of the main industrial groups shows striking differences. The largest decline in cash position is shown in aircraft, with other considerable declines in automobiles and trucks, parts and accessories, agricultural implements, electrical equipment, rayon, and silk. Notable improvements in cash position are revealed in wool and woolens, paper, chemicals, automobile tires, coal, leather, and shoes.

Inventories appear to have increased most markedly in household products and supplies, miscellaneous mining lines, oil, and agricultural implements, while along with the marked improvement in cash position of wool and woolen companies has gone a large reduction (31%) in inventories. The same is true of leather and shoes.

Plant valuations appear to have increased most strikingly in rayon, machinery and machine equipment, miscellaneous mining, and household products and supplies. There has been very little increase in plant valuations of cotton and cotton goods and notable decreases in wool and woolens, leather and shoes, paper, and iron and steel.

# Kellogg Out, Cotton "Cornered," Farm Board Has a Busy Week

THE week in matters agricultural has been rather dry so far as market conditions are concerned, but very juicy as regards governmental policy.

Except for a peculiar and painful situation in cotton, the markets are now, and will be for months, largely in the hands of the weather man. The bullish tendency in wheat prices during recent weeks due to drought reports was halted by occasional showers in some sections. On the whole, however, this has been the driest spring season so far in some years, and if it continues a considerable reduction in the winter crop in North America is probable. But, in face of continued slackness in export demand, wheat prices have been and will be exceptionally susceptible to softening under occasional rainfalls.

The Farm Board appears to be doing little more than to steady prices at current levels and occupy itself with co-op politics and storage problems pending the new crop. Acreage reduction campaigns continue, but with no signs of spectacular success either in wheat or cotton, although some shifting from wheat to flax in the Northwest spring wheat area is taking place.

### *Kellogg Resignation*

The most significant news in wheat is the suddenly announced resignation of W. G. Kellogg, head of the National Grain Marketing Corporation, which Mr. Legge regards as a surprise, but which has been foreshadowed for some time. Its significance is uncertain so far, but there have been persistent rumors in the past month of dissension in the management of the Marketing Corporation as well as the Stabilization Corporation. Reports of irregularities in or dissatisfaction with the operations of these two Farm Board bodies were associated with the selection of George S. Milnor several weeks ago as a new head of the Stabilization Corporation. Bankruptcy of a Minneapolis grain corporation which had acted as broker for Kellogg's agency; spoilage of Farm Board wheat bought by Kellogg in Chicago elevators; Kellogg's previous association with the Armour Grain Corporation; and internal jealousies about juicy jobs among co-op leaders—are currently mentioned as factors. What is behind all this will probably appear in due course, but the obvious fact is that both these jobs are difficult and unpleasant, and frequent changes of personnel may not be unnatural.

The Farm Board's Cotton Marketing Association is reported finally to have found a head, after an exhibition of pronounced reluctance on the part of many candidates. One reason for the reluctance is the present attitude of the cotton market toward the Farm Board.

### *A Corner in Cotton*

The market is mad clean through, and there is wailing and gnashing of teeth among merchants and cotton mills. The reason is the general conviction that the Board, through its Cotton Marketing Corporation, has engineered a corner in May and July cotton contracts. When cotton was sliding down far below the Board's fixed loan price of 16 cents in February, the Corporation, with Board money, took over all the contracts of the individual cotton cooperatives calling for delivery in May and July, and concentrated them in the hands of a single broker-representative in New York. Instead of shifting these contracts to later positions, the Board has made no move and is understood to be determined to call for actual delivery on its long contracts, which may cover as much as a million bales.

Merchants and cotton mills who hedged their earlier purchases of cotton with short sales of May and July are faced with losses running into the millions if they are called upon to deliver, because prices for these months have been forced to a premium of nearly 3 cents over later month deliveries. The anticipated effect of this is a drastic slowing down in cotton consumption by mills here and abroad in the next few months, beside the enormous losses aforementioned.

The grim humor in this situation lies in the fact that it happens while the Senate is considering legislation to prohibit future trading in grain or cotton and is about to pass bills providing for further drastic investigation and regulation of the exchanges. While the government at one end of Washington is thus launching another violent assault upon the wicked speculators and market manipulators, at the other end the Farm Board is believed to be engineering the most drastic corner or squeeze in the cotton market that has been seen in years. The fact that the Board is supposed to be doing this to enable the

cooperatives to recoup their enormous losses in loaning millions of taxpayers' money to farmers at prices far above the market level doesn't cool the rage of the cotton merchants or mill men. It was perhaps a touch of tender conscience on the part of the Farm Board that made Mr. Legge and Mr. Williams write letters to the Senate Committee last week advising against Senator Caraway's bill to prohibit future trading. They have apparently discovered that what is sauce for the private goose is sauce for the public gander, and that the Farm Board would greatly miss the commodity exchanges in trying to stabilize wheat and cotton prices. The Board, however, is not averse to seeing the exchanges further regulated and supervised by the Government, for that would probably make it easier for inexperienced public officials to play the market successfully and save some money for the taxpayer.

*Distribution* ► **Cut-Price Sale Makes Razor Gift**

COLGATE-PALMOLIVE-PEET is giving away a new-model Gillette razor and blade with each sale of Colgate or Palmolive shaving cream. Bargain price for the combination is 35 cents, regular price for the soap alone.

It is one of the largest and most far-reaching cut-price sales campaigns ever staged. Direct sales of Gillette dollar razors at regular prices will be seriously handicapped. On the other hand, shrewd Manufacturer Gillette probably will not become a convert to the Capper-Kelly bill, knowing that the sooner Gillette razors reach the consumer, the sooner profits will mount.

# Snowden Budget Takes Things As They Are; McKenna Duties In

*By Special Cable to The Business Week*

THE new British budget proposed by Chanceller Phillip Snowden is one of accommodation to conditions, not a showing of leadership.

The most uncertain factors in British business—tariff and taxation—now are known quantities. The first reaction was one of relief that it wasn't worse, that Snowden's proposals are reasonably non-partisan and as practical as is possible under present conditions. Income taxation goes up another 7%. This will make British taxes average $84 per capita—about the highest in the world.

Actually, business has small right to complain. During the preceding Conservative administration taxation was allowed to lag behind increasing expenditure. That was the time of a rising curve in world business when, if expenditure could not be reduced, taxation could more easily be increased than now. Labor took over office and a $70,000,000 Conservative deficit. No party seriously has attempted to check further increase in expenditure since then.

Snowden's proposals are for financing conditions as they have been allowed to become. The budget distributes the burden of the inevitable increased taxation with probably the least possible strain on the working classes and on working capital.

Snowden makes no attempt either to coerce the unemployed to seek work or to enable employers to extend greater opportunities of employment. The budget is barren of any constructive new features that might distinguish Labor finance from eleemosynary philanthropy. Even on the point of tariffs, Snowden has allowed policy to be dictated by existing formulae and need of revenues. This leads to continuance of the so-called group of safeguarding duties unchanged to their originally scheduled expiration at the end of this year. The McKenna group, including notably rayon and automobiles, continue indefinitely.

Buried away in the budget speech is a passage regarding double taxation which American business will note with pleasure. He announced that "the finance bill will contain a number of proposed alterations of the laws in regard to liability of nonresident persons.

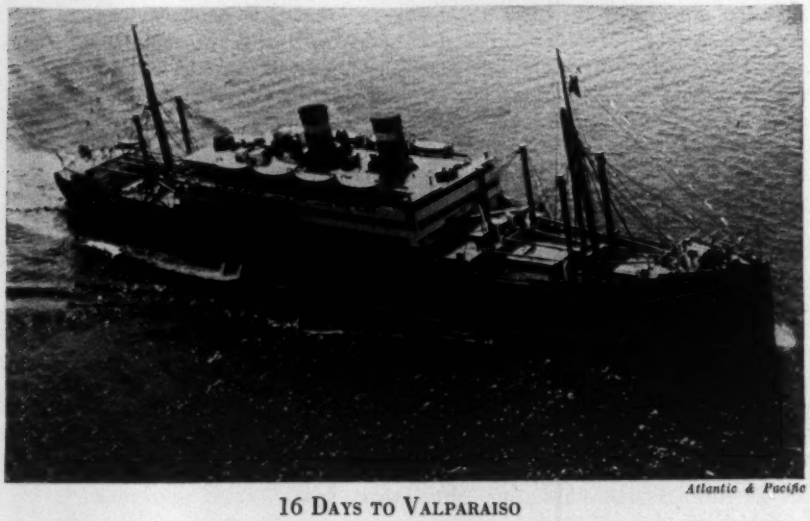
"I propose to amend the laws to make possible reciprocal arrangements with foreign countries whereby a foreigner will be charged only in respect to his profits from the sale of his goods through an agent here."

*Radio* ► **R. C. A. to Take Over Subsidiaries**

CHANGES in the corporate relationship of General Electric and Westinghouse to Radio Corporation of America were announced as approaching consummation this week. The two electrical manufacturing companies will relinquish their stock holdings in the maze of R. C. A. subsidiaries, controlling them, instead, through the parent company. R. C. A. will acquire all these subsidiary stocks and will be doubled in size as to assets, capitalization and plant equipment through acquisition of all radio manufacturing facilities and patents held by the two electrical companies.

The electricals will divest themselves entirely of radio manufacture, except possibly transmitting machinery and high-power equipment and such other material as R. C. A. may call upon them to produce from time to time. R. C. A. obtains selling rights, or good-will, on the radio business held by these companies as well as patents. As part of the plan, both General Electric and Westinghouse will sell through their own outlets radio receiving sets purchased from R. C. A.-Victor Corporation.

Simultaneously with announcement, the proposed transaction was attacked in the Senate as "a new radio trust" and the Department of Justice announced the deal was being investigated.



*Atlantic & Pacific*

16 DAYS TO VALPARAISO

*The Santa Clara, Grace Line, will clip 5 days from the New York-Valparaiso run and give the South American West Coast faster express service. The first ship under the Jones-White subsidy will sail Friday on maiden voyage*

Pacific & Atlantic

GRAYBAR CHIEF

*Albert E. Salt, chairman of the board of Graybar Electric Co., reports increases of 40% in that company's business during the first two months of the current year*

# Industries Show Wide Variation In Spring Employment Figures

THE government's comprehensive employment figures for March contribute to the accumulating evidence that last month saw another low point in business succeeding the upturn from December to January. Employment in manufacturing and the other 7 major industrial groups covered showed a decrease of 1% in March as compared with February, and a decline in total payrolls of 1.2%.

In the manufacturing industries alone, there was a decline of 0.6% in employment from the middle of February to the middle of March, with an increase of 0.1% in the payroll totals. This brought the level of manufacturing employment in March nearly 9% lower than in March last year and total payrolls 12.6% lower.

Only twice before in the records going back to 1919 has there been a decline in employment between February and March—a slight one in 1924 of 0.1% and a large one in 1922 of 5.1%. The increase in payrolls also is much less than the usual amount, which has been more than 10 times as great in all years on record except 1924, when there was a slight decline.

Only 18 of the 54 separate manufacturing industries reported employment gains in March, the largest being seasonal increases in fertilizers, cement, brick, women's clothing, millinery, automobiles and sawmills. Small increases were reported also in silk goods, newspaper printing, glass, stamped ware, cigars, agricultural implements and tires.

The outstanding decreases in employment in March below February were in woolen goods, hosiery, men's clothing, slaughtering, steam railroad shops, petroleum refining, cotton goods, structural iron, foundry and machine shops, iron and steel and boots and shoes. A decrease of 20.8% was noted among radio concerns.

Only two geographic divisions, the Pacific and South Atlantic, reported increased employment in March, the seven other divisions showing decreases.

It is striking that seven industries were employing more people this March than last and eight industries reported larger payroll totals. Among these were flour milling, cast-iron pipe, paper and pulp, printing, fertilizers, petroleum refining, electrical machinery, shipbuilding, slaughtering and chewing tobacco.

*Production* ► **Five Customers Build a Plant**

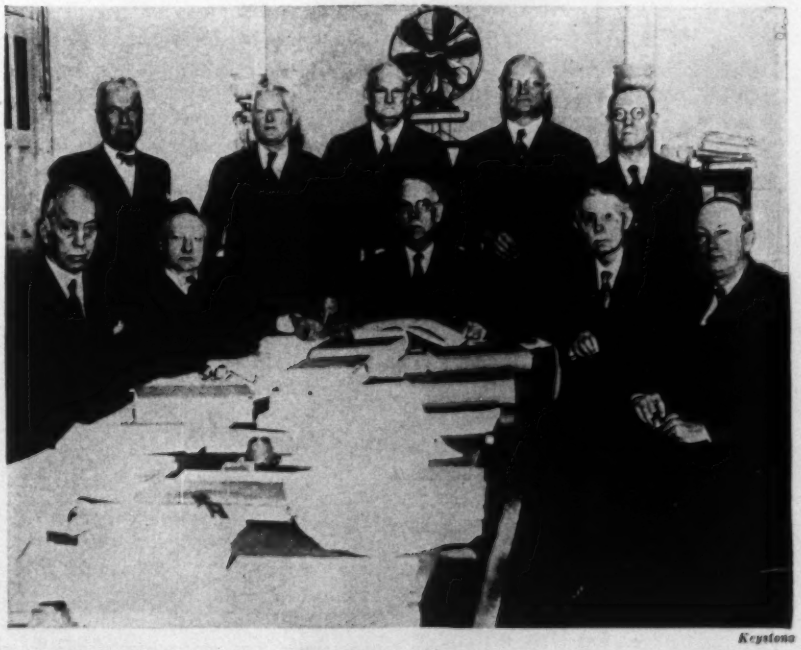
FINAL touches are being given to the $13,000,000 plant of the General Steel Castings Co. at Eddystone, Pa. in preparation for opening operations probably in June.

This concern is unusual in its conception; its products are unique; special methods and equipment have been provided to produce them.

General Steel was formed and is owned jointly by Baldwin Locomotive Works, American Locomotive Co., American Steel Foundries, Pullman, Inc., and American Car & Foundry Co.

These 5 concerns constitute practically the entire market for the heavy steel castings which are the chief product of General Steel. These castings weigh from 300 pounds to 40 tons and range in size up to 12x65x8 ft.

Among the unusual features are: a 112-acre plant accessible by a single entrance, guarded by one watchman; steel frame buildings walled and roofed, with 14 acres of glass; straight-line production from oil-burning open-hearth furnaces through molding, annealing, machining, to shipping platforms; unusually efficient sand conditioning and distributing system; core-drying equipment which attains remarkable efficiency in heat transfer; centralized coolant system to supply the entire machine shop; erection of whole plant, including service pipes, upon piling.



Keystone

THE TARIFF HUDDLE

*Congressional conferees surprised around the proposed tariff bill. Senators are seated, as befits their dignity; representatives stand up, thus distinguishing clearly between the houses. Left to right, Senators: Shortridge, Watson, Smoot, Simmons, and Harrison; Representatives: Bacharak, Garner, Hawley, Treadway, and Collier*

*Transportation* ► **Barge Lines Add Industrial Traffic**

MISSISSIPPI BARGE LINE officials, blaming a decline in traffic for 1929 on the fact that one of the worst low water stages ever encountered on the river prevailed during the summer months, are jubilant over the industrial trend that the traffic is taking. The general shift from bulk commodities to manufactured articles and industrial goods, is shown in the annual report of the Inland Waterways Corporation, now available.

On the lower Mississippi division between St. Louis and New Orleans, 27,410 tons of various manufactured articles were carried in 1929 against 10,298 tons in 1928. The increase on the upper Mississippi division between St. Louis and Minneapolis was even greater. In 1929, 4,307 tons of miscellaneous manufactured articles were transported, while in 1928 the total cargo of this type amounted to 296 tons. In the St. Louis-New Orleans division tractor shipments in 1929 reached 11,845 tons, contrasted with 2,920 tons in 1928. Iron and steel manufactures on this division increased from 9,320 tons in 1928 to 30,692 tons in 1929.

But the total traffic in 1929 fell to 2,114,470 tons, a loss of 131,379 tons. The net loss for the year was $354,048. It is explained that the loss was made somewhat greater in 1929 by the retirement of considerable old equipment.

*Banking* ► **New Group Lines Inland Waterways**

INLAND waterway development prospects are guiding the expansion of one group of banks. The Bancokentucky Corp., formed last year, is buying banks along the Ohio River. It now has 9 banks in Louisville, Cincinnati, and cities in between. Resources are well above $200 millions. James B. Brown, Louisville publisher, is in control.

Original plans called for member-banks in all leading Middle Western cities, including Chicago, St. Louis and Indianapolis. Progress has been somewhat slowed up by the business slump.

*Transportation* ► **Steel Users Take To the Water**

MORE trouble for the railroads is seen in the decision of A. O. Smith Corp. of Milwaukee to bring all its steel requirements for automobile frames into its mill by water. A steamer has been equipped to handle a cargo of 30,000 tons of steel between Gary and Milwaukee and will make two trips weekly. If other manufacturers follow the lead of this largest steel user in the West, a considerable water traffic may be developed to supply the 150,000 tons of steel required per month in the Milwaukee district.

Rail rates on steel between Gary and Milwaukee are now under consideration by the Interstate Commerce Commission. The present rate is 9½ cents per 100 lb.; the commission contemplates an increase to 14 cents; the railroads have petitioned for a 8-cent rate to permit them to compete with water transportation.

TO FIT THE RIVER BOTTOM

*Four huge floating derricks lift a bundle of electrical conduits three blocks long, bend them to the contour of the river bed, and deposit them in a trench at the bottom of the Spuyten Duyvil River as part of the New York Central's electrification program for Manhattan Island*

*Finance* ► **1929 Was Good To Monopolies**

THE annual report of Kreuger & Toll, just out and showing earnings of $29,095,000 in 1929 and assets of $350,000,000, is an interesting document from the company that is financing governments and at the same time fighting the Diamond Match Company and the Soviets for the match monopoly of the world. Significantly, the company plans a "rapid expansion," pointing out that last year's earnings exceeded those of 1928 by 38%.

The report, prepared by Ivar Kreuger, former Brooklynite, lists international financing first. It says that upset conditions of 1929 were caused by the greedy stock market of the United States and the hoarding proclivities of the French. The machinery for international financing has been unable to adjust itself to the changed economic conditions since the war, and the Kreuger concern aims to develop to fill the need. Because of conditions in 1929, many proposals came to the company, some of which resulted in business. Most important of these were the $125,000,000 credit to Germany, and the credit of $30,000,000 to Austria. And when Kreuger & Toll lends to a country it exacts at least a partial match monopoly.

Kreuger's company is a holding company—an investment trust of the general management type. Large holdings of shares are required to give diversity to the company, which, through its international financing, naturally has large numbers of government bonds. So far, the shares acquired have been largely those of Swedish companies.

Kreuger & Toll is also engaged in the trading business, from which enormous profits were made in 1929, though these profits may not continue. The trading operations have necessitated acquisition of interest in several small banks in France, Holland, Germany, Switzerland, Poland and, according to the report, "in other countries."

*International News*

RAILROADER

*Edward S. French, new president of the Boston & Maine, active member of the New England Council, takes office as Pennsylvania interests announce control of New England trunk lines*

*Utilities* ► **Learn Lighting By Writing**

SOME 6,000 employees of public utilities, manufacturers, and merchants are taking a correspondence course in general illumination given by Westinghouse Lighting Institute, Grand Central Palace, New York. The course covers every phase of illuminating engineering and is designed to teach students fundamentals of good lighting practice and modern developments in the art.

# Railroad Consolidation Is Approaching a Show-down

EVENTS in Washington—the joint resolution introduced by Senator Couzens forbidding railroad mergers pending further study and legislation, the House Commerce Committee's investigation of rail holding companies, expressed opinion, official and unofficial—reflect the growing query, "Why merge the railroads, anyway?"

Consolidation has numerous advocates, notably President Hoover, Senator Fess of Ohio, various rail executives and, particularly, financial interests, but Washington notes an undercurrent of opinion ranging from mild questioning to actual dismay manifested by shippers, elected representatives of several western states, labor organizations, and even travelers.

### *Executives Divided*

Rail executives are divided on both the theory and actual set-up of rail mergers—some of them, perhaps, according to the prospects of promotion or demotion involved in specific proposals. The belief that huge economies will be achieved through a general rail merging is called fallacious by such eminent railroad men as Daniel Willard, president of the Baltimore & Ohio, and Percy R. Todd, president of the Bangor & Aroostook. Mr. Willard says a small railway can be as efficiently administered as a large one. Other critics assert that no economies through centralized purchasing, increased buying-power, elimination of many divisions of freight rates, reductions in staff could be so great as to make possible a substantial reduction in freight rates—advanced as the prime motive (or, at least, "bait") in proposing consolidations. There has been much heart-burning over threatened losses of favored connections, terminals, or other advantages under the I. C. C. consolidation plan.

Some rail executives have placed themselves in an anomalous position. Despite his admission that the announced economies are greatly exaggerated, Mr. Willard has lost no time in endeavoring to unify smaller lines with his B. & O. Despite its coolness toward consolidation plans, the Pennsylvania has stated that it intended to hold its stock in such roads as New Haven and Boston & Maine so long as New York Central has an entry into New England over the Boston & Albany.

The growth of the rail-organized and directed holding companies has changed a lot of things. They have virtually nullified the Commerce Commission's merger plan in a few months' time, by acquiring control of various strategic lines, and developing such an interownership of holdings that mergers already have been effected, or permanently blocked (unless legislation forces them to relinquish their holdings).

### *Unforeseen Development*

Observers point out that the authors of the Transportation Act—Representative Esch, of Wisconsin, and the late Senator Cummins, of Iowa—did not foresee the holding companies. Or, perhaps, they thought the Clayton Anti-Trust Act provided a safeguard, and it

*International News*

COMMERCE COMMISSION CONVENES

*Members of the I. C. C., regulators of the railroads, meet in Washington and watch progress of Congressional investigation of rail holding companies, those mysterious bodies which, they believe, might block official rail merger plan. Left to right, seated, Eastman, Meyer, McManamy (chairman), Aitchison, Lewis; standing, Lee, Porter, Woodlock, Brainerd, Farrell, and Tate*

is not yet certain, if one may judge by Commissioner Eastman's testimony before the Congressional committee investigating holding companies, that this act does not cover the present situation. But the consolidation provisions of the Transportation Act of 1920 merely gave the I. C. C. permission to approve mergers, did not arm it with authority to break up potential mergers achieved, in whole or in part, through stock purchases.

### *Two Precedents Exist*

Only two precedents exist for a general scrambling of railroads. In England, all the lines were merged into four large systems and the results have not been altogether satisfactory—though many hold that, under prevailing conditions in England, the carriers would have been in even poorer shape had they remained independent. In Canada a group of carriers—some government-owned and some privately-owned—became the Canadian National Railways. In this instance, success has followed the merger, through the creation of a strong system capable of competing effectively with the well-established Canadian Pacific Railway.

Many competent observers doubt whether the results of consolidation in the United States would be sufficiently beneficial to warrant the hazard taken in wiping out dozens of relatively small, but highly efficient, systems.

# Current Bank Failures Include Many Postponed Last Year

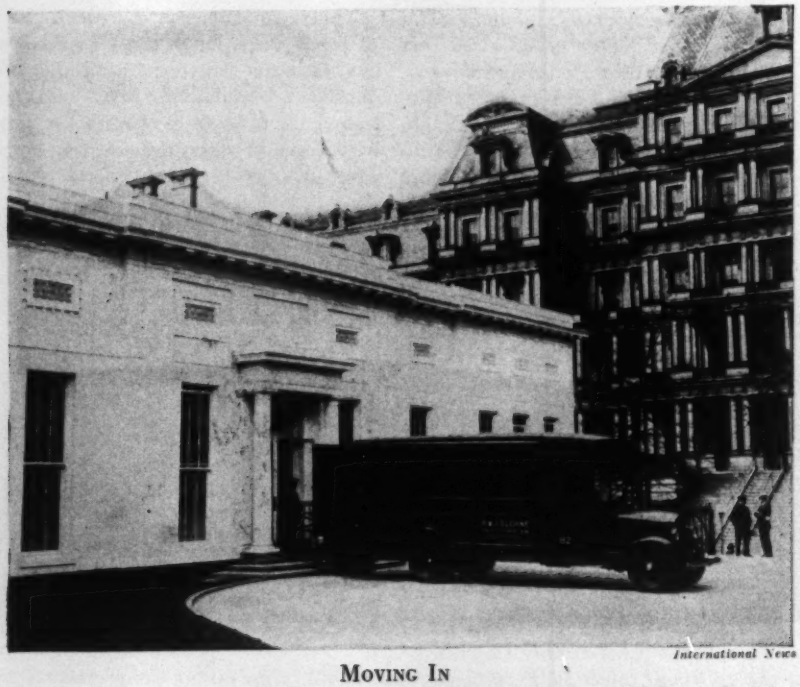
THE new wave of bank failures now breaking across the country should have caught no one by surprise. The stock market crash cost banks a tidy sum; national banks alone dropped $25,700,000 (*The Business Week*, Feb. 19, 1930). It also froze a good many loans. Declining commodity prices and unemployment helped the bad work along. Movement of funds from country to city left some rural banks without enough money to run profitably. And, with business dull in recent months, there has been little demand for loans. Besides all of which, the recession of early 1930 pushed through many suspensions that were all set for 1929 but temporarily postponed by last year's boom.

### *124 or 317 Failures?*

Bank failures in the first quarter of 1930 were higher than for any similar period since 1927. Dun's reports show 124 failures with liabilities of $51,578,980, compared with 81 failures with liabilities of $37,508,000 the first quarter of 1929. *The American Banker* says Dun's reports are inadequate, and finds 317 failures in the 3-month period against 183 the first quarter a year ago. The 317 include 287 state banks and 30 national banks. Its figures also show that 222 banks were eliminated by mergers in the first quarter of 1930, well above the number a year ago.

The Middle West and South account for 87% of the number of failures and 91% of the total liabilities. That leaves the Eastern seaboard, the Rocky Mountain, and Pacific coast states virtually free. Actually, the Pacific coast states had no failures.

There is food for thought—by, say, the Banking and Currency Committee of the House of Representatives—in the fact that whereas average liabilities of American banks amount to $3,000,000, the average liabilities of these banks which have gone under come to only $415,000. The figures indicate that the states have been chartering banks that are too small to operate profitably. Such banks have been quickly hit by depressed agricultural conditions in the South and West and their failure has helped to increase the depression. Whether the states should continue this practice; whether small communities might not be better served by part-time branches of larger banks, may be more important questions for the meditations of the committee's chairman than those arising from his nightmares about the World Bank.



International News

MOVING IN

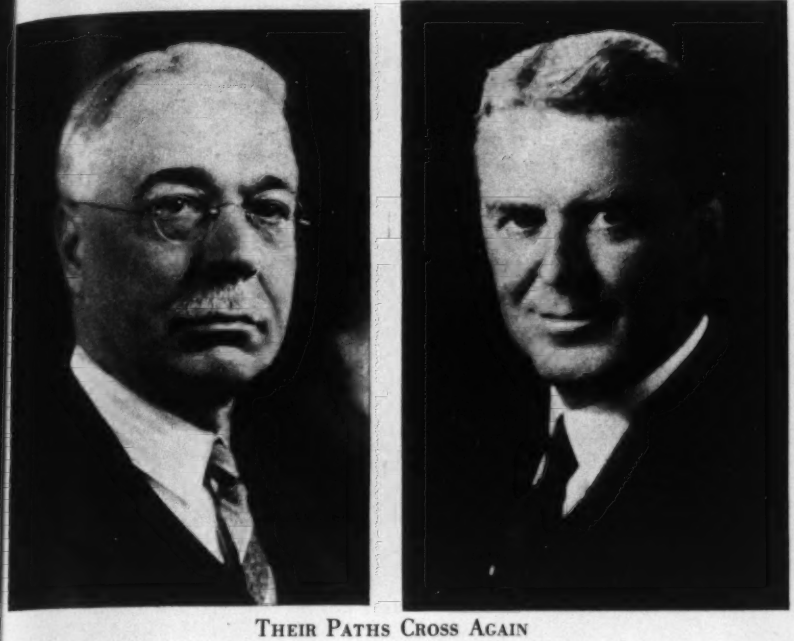
*New furnishings arrive for the recently reconstructed Executive Offices adjoining the White House. In the background, the State, War, and Navy Building which temporarily quartered the President's offices*

*Personnel* ► **Combing Colleges For Engineers**

THE annual recruiting campaign to fill the ranks of industry with college-trained men is now in full blast. Each spring, a surprisingly large number of industrial concerns visit the colleges of the country for the purpose of selecting from the spring graduating class individuals suitable for absorption in industry.

There are about 148 accredited engineering schools in the country with total enrollment of about 65,000. Some 10,000 men and women are being graduated each spring from engineering courses; about half in mechanical or electrical engineering. Last year, the demand for engineering graduates by industry was greatly in excess of supply. This year, reports indicate, the situation is better balanced.

J. E. Walters, of Purdue, president of the National Association of Placement and Personnel Officers, stated that the averaged monthly starting rate for engineering graduates of Cornell, Carnegie and Purdue has been $137.50 for the past 3 years.



THEIR PATHS CROSS AGAIN

*Edward W. Decker wears spectacles; Lyman E. Wakefield doesn't. Otherwise, they are a good deal alike. They were farm boys together, became Minneapolis bankers together, and went to Washington together this week to tell the House Banking and Currency Committee the advantages of group banking in the Northwest*

# Northwestern Bankers Followed Same Road to Washington

TWO Austin, Minn., boys, both sons of farmers, who started their banking experiences at about the same time, both as bank messengers, appeared this week before the Banking and Currency Committee of the House of Representatives engaged in an investigation of banking organization.

Both are now presidents of banks, the two largest in Minneapolis, the First National and the Northwestern National. They appeared before the committee as representing the two largest bank groups in the United States in number of affiliated banking houses. Each of these groups of banks—"group" is the word, if you please, and not "chain" or "branch"—has nearly 100 affiliated units and nearly $500,000,000 of aggregate resources. They are the Northwest Bancorporation of Minneapolis and the First Bank Stock Corporation.

### *Friends Since Boyhood*

A half-century ago, when as a farmer's son he walked two miles to school daily at Austin, Edward W. Decker passed by the First National Bank of Austin. He would stop and gaze at the tellers counting money in the cages. The handling of money like merchandise had a strange attraction for Mr. Decker.

"It was one day when I was 7 years old that I decided to become a banker," Mr. Decker told *The Business Week*. "I never lost sight of that idea. When I became a messenger of the Northwestern National Bank of Minneapolis at $15 a month, I was the happiest boy in Minnesota."

At about the same time, Lyman E. Wakefield started to school in Austin. Lyman and "Eddie" were fast friends. A score or so of years later "Eddie" was cashier of the Northwestern National in Minneapolis and Lyman was working in the First National Bank at Austin.

The paths of the two Austin boys crossed again when both came to serve as junior executives of the Northwestern National Bank in Minneapolis.

Later, Mr. Wakefield went to the Wells-Dickey Co., Twin Cities investment banking firm, and then to the First National of Minneapolis, ascending to the presidency in the summer of 1929. He is also vice-president of the First Bank Stock Corporation. His boyhood friend was occupying a similar position as head of the Northwestern National Bank and Northwest Bancorporation.

This week they both appeared before the House committee as advocates of the group form of organization for banking, each to tell the story of its advantages in the Northwest.

*Banking* ► **Resources Dropped 10% in Quarter**

RESOURCES of banks in the United States dropped sharply during the first 3 months of the year. Resources of the first of the leading banks to report following calls for condition (representing about 20% of the total of all banks) showed resources 10.8% below Dec. 31. Deposits declined 8.1% during the period. Total resources of these banks on March 27 were $12,706,591,000, deposits $9,420,453,000. Comparison with figures for Oct. 3, 1929, shows less startling trends. Resources are changed less than 1% from that time, and deposits are off 3.4%. This change since first of the year is largely seasonal, accentuated by the current state of business.

*Banking* ► **Australia Plans A Central Bank**

AUSTRALIA will, within a few days, consider a new bank. Long agitation for a bona fide central bank has brought introduction of a bill in Parliament for such an institution. The Commonwealth Bank, though somewhat like a central bank of issue, has never been satisfactory, despite many efforts to make it so. Competition between it and the commercial banks is too direct to permit much cooperation.

The proposed new institution would have capital of about $10,000,000. The commercial banks would be required to keep reserve deposits with it equal to 10% of their demand liabilities and 5% of time liabilities. United States requirements are 3% on time deposits and a range of 7%, 10%, 13% on demand, depending on the location of the institution. No interest would be paid on these deposits. The bank would have absolute control of note issue. The serious financial straits in which Australia finds itself (*The Business Week*, April 16) necessitate drastic action.

*Finance* ► **Latin America Calling for Loans**

THE recent $50,000,000 bond flotation for Argentina marks the beginning of what may prove to be a flood tide of new Latin American issues—running to half a billion dollars, if the market holds.

President Irigoyen is said to be planning a heavy program of financial reorganization for Argentina to meet the need shown by the irregular action of the peso in foreign exchange and the

recent closing of the Caja de Conversión despite the high ratio of gold holdings. The peso responded only temporarily to the $50,000,000 issue. Reorganization will call for further loans.

The breakdown of the coffee valorization plan in Brazil has saddled that country and coffee-producing Colombia with problems that only exterior loans can begin to solve. The state of Sao Paulo is dickering in London and New York for a reported sum of $100,000,000. The State Department at Washington will approve a loan for marketing purposes; would object to provision of funds to bolster up a monopoly. One estimate places Brazil's obligations abroad at $175 millions annually and her balance of trade at $50 millions, indicating that borrowing is in order.

Bolivia is harassed by a price decline in tin. It has obtained some funds from an oil company and has sold a match monopoly to the Soviets, which may be transferred to Kreuger & Toll if the latter can offer a better price.

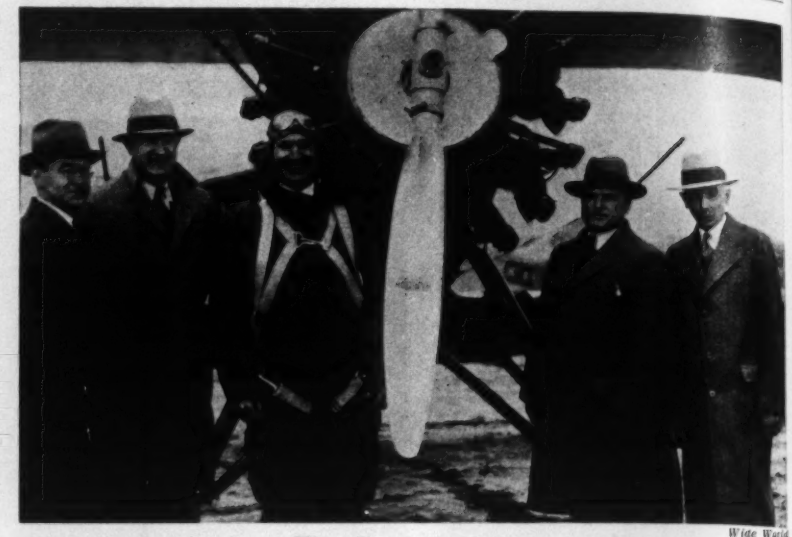
### *Loans Will Help Foreign Trade*

All South America has public improvements on the slate that will call for outside money.

Bobbing about in the Latin-American loan flotation conversations in Wall Street are rumors about Carlos Alfredo Tornquist, the J. P. Morgan of Buenos Aires. New York bankers, tight-mouthed, say he will arrive in New York this week for an annual visit. More willing to talk, industrialists with interests in South America intimate he will remain in New York, establish an office, will tie his interests more closely with the United States financial center. *El Mundo*, Buenos Aires daily, thinks he will be named Argentine financial agent to the United States.

*Real Estate* ► **Four Associations Study Tax Burden**

Is the real estate business hurt by unfair taxation? People interested want to know. Four national organizations have arranged for a thorough study of the problem. Prof. Simon E. Leland, of the University of Chicago, is going to do it for them. Each of the four associations has appointed two of its officers, and these eight make up the committee in charge. The organizations are the National Association of Real Estate Boards, Mortgage Bankers Association of America, National Association of Building Owners and Managers, and the United States Building and Loan League.



Wide World

WILL DRINK ANYTHING

*This airplane engine, developed by Pratt & Whitney, gets along very well without a carburetor; instead each cylinder has an injection valve which allows the use of any petroleum fuel from heaviest furnace oil to the highest-test aviation gasoline. Left to right, G. J. Mead, vice-president of Pratt & Whitney, Wright Perkins, Lewis MacClain, A. V. D. Wilgous, and Peter Hasbrouck, inventor of device expected to effect new economies*

# Powerful Groups in Battle For Air Route Supremacy

OF major importance to aviation is the struggle between two of the most powerful holding groups in the industry—United and Curtiss-Wright—to get control of the New York-Chicago air mail service, a struggle which entered its fourth phase this week.

United Aircraft and Transport Co., already operating the Chicago-San Francisco route, in an effort to obtain the Chicago-New York mail contract now enjoyed by National Air Transport Co., Inc., wants to buy the latter. To this effort, the directors of National Air Transport apparently object, and a complicated battle is in progress, the principal moves in which have been to date as follows:

1. United made offers to N. A. T. for a financial and operating agreement merging the interests of two groups although maintaining the identity of N. A. T. This offer was refused flatly.

2. United at once sought to acquire all the N. A. T. stock it could directly from the stockholders. This was done through appeals by mail and through newspaper advertisements. The purpose was to secure as many voting proxies as possible in the N. A. T. annual meeting.

3. At the annual meeting two United representatives appeared, but the United was apparently blocked from its plan to secure even formidable influence in N. A. T. It was alleged immediately after the meeting, however, that N. A. T. directors had held a special meeting a few days before and had changed the by-laws so that one-third of the directors, rather than one-half, constituted a quorum, and provided that a vote of three-quarters of the stockholders would be necessary to remove a director. United declared it would contest the meeting on the ground of illegality.

4. United secured a restraining order through a Wilmington (Del.) official to prevent N. A. T. from carrying out a plan to exchange stock with Eastern Air Transport, subsidiary of the North American Aviation, on a basis which would give N. A. T. complete ownership of Eastern. This action by United was taken to maintain a status quo, United declares, so that the financial situation at the N. A. T. annual meeting April 10 would continue, thus enabling United to carry out its threat of protesting through court action the events involved in the N. A. T. annual meeting. A bill contesting the legality of the meeting was filed April 16.

Thus the matter rests at present while the aviation industry awaits the next move. Late reports credit United with control of 57% of N. A. T. stock outstanding.

# Department Store Sales Drop Not Wholly Due to Calendar

THE decline of 12% in March sales of department stores as compared with last March was blamed in part by the Federal Reserve Board on the fact that Easter this year fell on April 20 while, last year, it fell on the last day of March. This explanation of the unfavorable showing of the monthly comparisons of retail trade has generally been accepted as sufficient to account for the decline. The records of department store sales by the Federal Reserve Board extend back to 1919 and show 2 previous years in which a similar situation existed. In 1922 Easter fell on April 16, as contrasted with March 27 in 1921. Department store sales for March, 1922 were 12% under those for March, 1921. The fact that March sales in 1922 showed the same decline under the preceding year as they have this March is a striking coincidence. Its value as confirming the late Easter theory is somewhat diminished, however, by the consideration that both 1921 and 1922 were pretty poor years.

In 1924 Easter fell on April 20, while its date in 1923 was April 1. Since Easter trade in 1923 must have been counted in the March figures, this, too, is a parallel case; and in 1924 March sales were 9% under the preceding March.

### *Not Too Much in It*

Although there is clearly something in the late Easter theory, a comparison of the first quarter department store sales as a whole suggests strongly that the slackness this year is not wholly due to the irregularities of our calendar. First quarter sales this year were 6% under those of last year, whereas in the two comparable preceding years mentioned above, 1922 and 1924, first quarter department store sales were, respectively, 14% and 3.4% above those of the preceding year.

Later, more comprehensive March chain store sales figures for 50 systems, including the two large chain-mail-order houses, somewhat soften this conclusion that March retail trade was probably bad anyw..y. These chains show a decrease of 2.12% as compared with last March, but first quarter sales were 3.72% higher. Since the chains on the whole are less likely to have been affected by the date of Easter than the department stores, these figures suggest that retail trade in March was relatively somewhat more slack than in February and January, but not alarmingly so.

Without chasing this statistical Easter rabbit any further, the one thing clear is that this first quarter has been a pretty poor one for department store business. It is the first time in the record that sales have *decreased* below the preceding year.

*International News*

**LAUNCHING PARTY**

*The yacht "Enterprise," first of the four contenders for the honor of defending the "America's" cup, was launched at the Herreshoff yards in Rhode Island. Left to right, Winthrop W. Aldrich, president of the New Chase National Bank, Harold S. Vanderbilt, W. S. Burgess, Mrs. Aldrich, the sponsor, and E. Walter Clark. Others of the syndicate which built the boat are Vincent Astor, George F. Baker, Jr., Ogden Mills, George Whitney, and Floyd L. Carlisle, chairman of Niagara-Hudson and recently elected a director of National City*

*Retailing* ► 

## Instalment Sales Show Biggest Loss

LOSSES on instalment sales, through bad debts, are proportionately twice as large as on ordinary charge account transactions, although the latter method is used in 32.2% of the country's retail business, while but 9.2% is handled on the instalment plan. The remainder is on a cash basis. Instalment losses amount to 1.2% of the total instalment business, and charge account losses are 0.6%. The total losses from both sources amount to 0.3% of all retail business.

So says the first of three bulletins giving the results of the nation-wide survey undertaken by the Department of Commerce with the cooperation of 1,000 credit bureaus and 25,000 merchants. The survey is based on an analysis of sales amounting to almost $5 billions.

### *Shoe Stores Lead*

The first bulletin, covering facts obtained from 6,832 retail establishments, shows that in general average of returned merchandise and allowances on regular charge account sales shoe stores led all others with 21.3%. Women's wear and department stores were next with 14.3% and 14.2%, respectively. Many reported credit loss percentages 25 times as high as those having the lowest figure; others had percentages of returned merchandise 10 times as great as the lowest; some had collection percentages twice as high as others.

Regular open credit accounts of all stores reporting were outstanding on an average 68 days, although many reported 4 months. Of all retailers who reported, three-fourths used credit bureaus.

The kind of information compiled during the survey has never before been available for credit business. It should aid materially in detecting and eradicating weak spots, in stabilizing credit, and eventually in lowering retail prices.

*Government* ► **Trade Commission Drops Complaints**

THE FEDERAL TRADE COMMISSION has withdrawn complaints against three nationally known firms—Aluminum Company of America, Calumet Baking Powder Company, and Charles Freshman Radio Company, Inc. The last-named two are now entirely out of the governmental woods, but in the case of the Aluminum Company the commission dropped only the charges relating to alleged price discrimination. Other accusations charging monopolization of the market in scrap aluminum and stifling of competition in the manufacture of aluminum sand castings, still stand.

The Calumet case ended an old war between Calumet and Royal filled with charges and counter-charges involving methods of competition. Royal alleged that Calumet employed two unfair tests of product, both of which have now been abandoned.

Freshman Radio was accused of tending to lessen competition by the purchase of 250,000 of the 300,000 shares of capital stock of the Freed-Eiseman Radio Corporation. Both concerns are now in a depressed condition, and the commission could find no reason for aggravating their troubles.

*Labor* ► **Hosiery Industry Tries Arbitration**

A SIGNIFICANT experiment in the arbitration of industrial disputes is going forward in Philadelphia. The impartial committee arbitrating the Aberle strike has made its report; has struck a compromise between the wage reductions demanded by the management and the limits to which the American Federation of Full-Fashioned Hosiery Workers would permit its members to go.

For certain operations, the reductions imposed by management are found to be justified; for others, partial reductions only are recommended; for half, the operations wage reductions are not justified, according to the committee. Besides arbitrating the wage question, the report suggests the value of better organized and more sincere personnel relations, in order to obtain more complete cooperation between management and men.

Several weeks ago wage reductions announced by several full-fashioned hosiery mills resulted in strikes. One man had been killed and a number injured when city authorities stepped in to try to settle the dispute.

Attention centered on the H. C. Aberle Co., one of the largest full-fashioned hosiery makers. This company refused to accept the arbitrators proposed by Mayor Mackay. However, both it and the American Federation of Full-Fashioned Hosiery Workers agreed to the appointment of a fact-finding committee headed by Benjamin Squires of Chicago, nationally known arbitrator of disputes of this character. Other committee members were Morris L. Cooke, consulting engineer of Philadelphia, instrumental in obtaining employer-union cooperation at the Naumkeag Mills; Morris E. Leeds, president, Leeds & Northrup Co.

The committee, first, brought about resumption of work at the Aberle mill at the present wage rate, future findings to be made retroactive; workers have been returned to work on a seniority basis and, as business warrants, nearly all the 1,400 striking workmen are expected to be at work soon. The committee named 5 engineering firms to make cost analyses of 8 union and non-union full-fashioned hosiery concerns in various sections.

*Iron* ► **Brazil Competitor On Low-grade Ores**

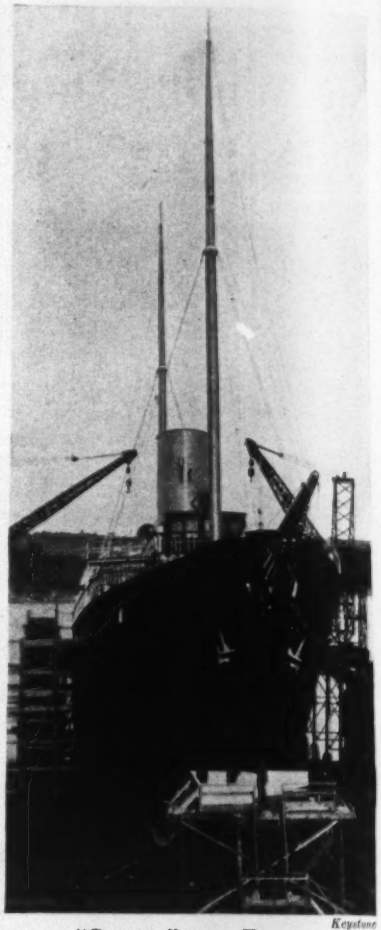
WITH the United States Steel Corporation contracting for 4 million tons of ore from recently discovered deposits in Brazil, the iron range country of Minnesota is taking stock of the probable effect upon North American fields.

F. A. Wildes, superintendent of mines in Minnesota, declares that the Midwest steel industry is expanding to such an extent that imports of Brazilian ore will not injure Minnesota's industry as much as might have been the case some years ago. It is generally admitted, however, that the Brazilian developments may seriously retard development of Minnesota's low-grade ores, and ultimately mean a reduction in annual output.

The deposit in Brazil is estimated to embrace approximately 24 million tons of iron ore. Baltimore has been selected as the North American outlet port.

*Construction* ► **Mail Order House Links Up Realtors**

CHICAGO real estate men, 368 strong, met last week to hear Harvey L. Harris, head of the Sears, Roebuck home-building department, explain the plan which makes Nixon Associates, Inc., agents for his company's small homes in the Chicago metropolitan area. This organization will handle Sears, Roebuck homes, ready-cut or built-to-order, exclusively and will extend sales privileges to other local realtors who will get a selling commission of 3%. Local contractors employing union labor will put the houses up.



Keystone

"CORSAIR" THE FOURTH

*J. P. Morgan's new yacht, probably the largest in the world, ready for launching at Bath, Maine. She was sponsored by his daughter, Mrs. George Nichols*

Evidence points to cooperation with Insull interests in this project. George F. Nixon & Co., "area developers," have worked closely with the Insull-controlled Chicago Rapid Transit system, now pushing a campaign for home-building and modernization, recently outlined to representatives of 275 Chicago business men's associations and broadcast over the area by banners and car cards. Offices of the newly organized Nixon Associates, Inc., are in an Insull building.

Chicago is the only city in which Sears, Roebuck has definitely allied with local real estate men. If successful, the plan may be extended to other cities. Early returns on the revised small home plan show Chicago sales remained at last year's level while total sales for the first quarter of 1930 went 12% over those of the same period in 1929, 88% over a year ago in Philadelphia, 95% over in New York.

# Youngstown-Bethlehem Bigger Than Anything Eaton Can Build

BETHLEHEM and Youngstown Sheet & Tube, if they merge, will be a company of ingot capacity so large it is doubtful if any new combination of steel companies could ever be built up to equal it.

With its Sheet & Tube subsidiary, Bethlehem's capacity would exceed 11,000,000 tons, half that of Steel. Even if all the other steel companies in the United States were built into Cyrus S. Eaton's new Republic, it would scarcely exceed this. Furthermore, negotiations have taken place between Bethlehem and Inland in Chicago, while Otis Steel in Cleveland is in the hands of the wing of the Mather group friendly to Bethlehem.

### *Eaton Strong in Patents*

Eaton's strength is concentrated in Ohio, with smaller plants in Chicago, Buffalo, Birmingham, and other places. He is, however, probably the largest stockholder in Inland outside of the Blocks; he also has an important interest in the Wheeling Steel Corp., with several plants along the Ohio River, and he has control of Gulf States, at Gadsden, Ala. He is on friendly terms with the Hannas in the new National Steel Co. of Detroit and Weirton, W. Va., with James H. Hillman, Jr., of Pittsburgh who controls a group of specialty plants, and with the Rockefellers in Colorado Fuel & Iron.

In the long run probably Eaton's greatest strength is in the control of patented processes, particularly the Johnston welding process for pipe manufacture and the die-rolling process for making axles. On the northern ranges and in Birmingham he is second only to U. S. Steel in ore resources.

As if in answer to the effort the Guaranty Trust Co. and one or two other big New York banks made in furthering the merger of Sheet & Tube with Bethlehem, Tom Mercer Girdler, chairman of Eaton's Republic Steel, is to go on the board of Chase National. Guaranty Trust was the New York banker in putting together the Republic combination but it and Eaton parted company in the controversy over Youngstown. Girdler was president of Jones & Laughlin until last October when he joined Eaton. Gossip in Pittsburgh has it that that old family-owned company did not look with favor upon his proposal that it join Republic.

Eaton is seeking to overturn the merger on the ground that stock sold prior to the date of the stockholders' meeting has no right to be voted. The status of such stock has never been established in the Ohio courts. If the litigation lasts after Sept. 1 the agreement may go to the stockholders again, with a new date of record for voting. Then Eaton's stock acquired after March 22, the date of record in the last stockholders' meeting, would have the right to vote. He now controls a clear third of the stock, enough to block the merger if it came to another vote.

Keystone

MORE DAYS IN COURT?

*Frank Purnell (left) and James A. Campbell, respectively president and chairman of Youngstown Sheet & Tube, are getting used to them. They pulled the Bethlehem merger through several and Cyrus Eaton promises more to come*

*Automotive* ► **Looking for More Low-Priced Eights**

GAINS over 1928 records reported by the automobile industry are not being shared by all—or many—manufacturers. Data now coming in from individual plants indicate that Ford, Chevrolet and a few others account for disproportionate slices of the recorded increase. Completed figures for the first two months of the year limit the gain to these two, Oldsmobile-Viking, Graham, Auburn-Cord, Marmon-Roosevelt, Franklin, and Pierce-Arrow, the last three and Chevrolet showing a gain over 1929 also.

High-priced car sales are holding up fairly well but Ford and Chevrolet business is cutting into that of their competitors selling for a few hundred dollars more. Detroit opinion looks for more 8-cylinder cars in this class to meet the price competition. Chrysler is expected to put out an eight; a Buick straight-eight has been rumored; an eight-cylinder model for the Willys line is not impossible.

*Distribution* ► **Radio Makers Go Into New Markets**

TRADING in the stock of Majestic Household Utilities Corp.—an affiliate of Grigsby-Grunow—started this week on the Chicago Exchange. Heavy oversubscription of the initial offering of 374,950 shares at $25 indicates that the public still believes that the almost overnight success with Majestic radio can be repeated with Majestic electric refrigerator.

Grigsby-Grunow has plenty of company in its step into wider fields. General Motors, for example, is moving in the same direction, making more and more products for household use.

Dutchess Washing Machines made by the Grinnell Company, Grinnell, Ia., now appear with labels announcing that General Motors patents are being used in them. Rumors say that the connection between the two companies is much closer than one of patent licenses. Crosley Radio has its electric refrigerator ready for the market.

# What the Figures Show

THE first ten days of April showed at least part of the expected seasonal pick-up in business. Steel activity continues its unseasonal and uncertain fluctuations, and building activity appears to be slightly infected by a similar hesitation. Other indicators of basic industrial activity show no pronounced strength as yet, but general trade has apparently been moderately quickened by late Easter demand, and commodity prices continue to improve.

Steel mill operations are at best holding to a fair level by long range measure, but low for the season. Dow Jones figures show another slight fluctuation, upward this week, from 75% to 76% capacity for the industry, as compared with 96% last year and 84% in 1928. This reflects considerable improvement among independents, who are up from 70% to 74%, while the Steel Corporation is slightly down from 79% to 78%. *Iron Age* figures, still differing, put the average at 78% compared with 76% last week. The moderate, shifting and uncertain character of current demand, kept close to a hand-to-mouth basis, makes for continued weakness in prices.

### *Building Is Slackening*

The pace of the upward seasonal movement in building has tended to slacken somewhat. General contract awards for the first ten days of April total $181,773,400 compared with a total for the first eleven days of last April of $320,193,700, a decline of 43%. The daily average, based on the four-weeks' period, however, moved upward to the highest point for the year so far, but at a rate considerably under that of last year this time, so that the current level is almost 20% under a year ago, as is the cumulative total for the year to date. Heavy construction awards, according to *Engineering News-Record* figures, declined 28% from the preceding week and are 18% under a year ago. The current level on a daily average basis for the four-week period dropped sharply, but is still slightly above last year's level, and the cumulative total for the year to date continues to reduce the deficit below last year.

Electric power production showed a rather sharp decline for the latest week, contrary to the upward seasonal movement last year, leaving an increase over the corresponding week a year ago of only 1%, the smallest so far this year, as against a normal expected annual increase of 10%.

**FIGURES OF THE WEEK**

| PRODUCTION | Latest Week | Preceding Week | Year Ago |
|---|---|---|---|
| Steel Mill Operation (% capacity) | 76 | 75 | 96 |
| Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis) | $19,278 | $18,915 | $24,033 |
| Bituminous Coal (daily average, 1,000 tons) | *1,424 | ‡1,485 | 1,383 |
| Petroleum (daily average, 1,000 bbls.) | 2,561 | 2,530 | 2,615 |
| Total Electric Power (Natl. Electric Light Assn., millions Kw. H.) | *1,830 | *1,850 | 1,810 |
| **TRADE** | | | |
| Car Loadings (daily average, all classes, 1,000 cars) | 151 | 148 | 160 |
| Check Payments (outside N.Y. City, millions) | $ 5,525 | $ 6,421 | $ 5,843 |
| Wheat Receipts (1,000 bushels) | 3,076 | 2,594 | 4,860 |
| Cotton Receipts (1,000 bales) | 114 | 102 | 125 |
| Cattle Receipts (1,000 head) | *152 | ‡161 | 144 |
| Hog Receipts (1,000 head) | *486 | ‡519 | 442 |
| Wool Receipts (1,000 lbs.) | 4,317 | 3,185 | 2,089 |
| **PRICES (Average for the Week)** | | | |
| Wheat (No. 2, hard winter, Kansas City, bu.) | $ 1.07 | $ 1.02 | $ 1.14 |
| Cotton (middling, New York, lb.) | $ .166 | $ .166 | $ .207 |
| Iron and Steel (composite, ton) | $34.44 | $34.52 | $36.82 |
| Copper (electrolytic, lb.) | $ .164 | $ .178 | $ .238 |
| All Commodities (Fisher's Index, 1926-100) | 91.3 | 90.8 | 97.3 |
| **FINANCE** | | | |
| Total Loans and Discounts, Federal Reserve member banks (millions) | $16,829 | ‡$16,913 | $16,455 |
| Commercial Loans, Federal Reserve member banks (millions) | $ 8,666 | ‡$8,669 | $ 9,076 |
| Brokers' Loans, New York Federal Reserve member banks (millions) | $ 4,124 | $ 3,994 | $ 5,425 |
| Federal Reserve System Ratio | 80.4 | 81.5 | 73.3 |
| Stocks Sold (N. Y. Stock Exchange, 1,000 shares) | 28,796 | 28,959 | 17,502 |
| Stock Prices (N. Y. Times, average 50 stocks) | $241.58 | $238.06 | $239.80 |
| Bonds Sold (N. Y. Stock Exchange, par value, thousands) | $66,974 | $69,596 | $46,392 |
| Bond Prices (Dow, Jones, average 40 bonds) | $ 95.25 | $ 95.41 | $ 94.26 |
| Interest Rates—Call Loans (daily average) | 4.0% | 4.0% | 8.0% |
| Interest Rates—Time Loans (daily average) | 4¼% | 4% | 9% |
| Business Failures (Dun, number) | 494 | 503 | 475 |

* Preliminary
‡ Revised

Bituminous coal production declined over 7% compared with the preceding week, due in part to the celebration of the 8-hour day on April 1. The daily average continues downward, but the output for the past two weeks has been above that of 1929. The rate of petroleum production increased for the week; recent strengthening in prices continues.

### *Price Situation Improving*

Except for the long-delayed final break in the copper price, the general price situation continues to improve. The wheat average was up considerably for the week, and not far below last year's figure, due largely to general drought conditions in the winter wheat sections. Cotton prices declined gradually during the week of April 12, but the average is unchanged. The iron and steel composite declined again to the lowest level since March, 1922. On April 15 the former domestic copper price was cut to 14 cents, following a reduction in export prices under the pressure of accumulation of record stocks and continued slackness in domestic consumption.

The Fisher all-commodity index rose for the second consecutive week and the National Fertilizer Association index is up more sharply. This strengthening, together with increased firmness in British and German commodity price in-

dexes, encourages the conclusion that the low point of the price decline has been passed.

Along with strengthening commodity prices, the general trade indicators are somewhat improved. Carloadings for the latest week moved sharply upward contrary to the trend in the past two years, narrowing the deficit below last year in total loadings to 5.2%, and bringing the total close to the 1928 level. Non-bulk loadings moved upward very sharply, cutting their deficit below 1929 to 6.1%, practically the 1928 level.

### *Check Payments and Loans Decline*

Check payments declined as is usual for the week, but somewhat less than in the corresponding week of 1929. In 131 cities outside stock trading centers the deficit below last year is only 5.2%, least since February. Commercial loans of reporting Federal Reserve member banks continue to decline, contrary to the usual seasonal trend, but the drop for the latest week was relatively small.

March foreign trade figures reflect world-wide slackness in international commodity movements and prices. Both exports and imports were above February, but by less than seasonal amounts, March exports reaching $374 millions and imports $300 millions. These figures are lowest for the month since 1924 for exports and since 1922 for imports.

Business failures for the latest week continued their usual seasonal decline, bringing the total number below the 500 level, but still above both 1928 and 1929. Failures for the quarter were the largest since 1922 and liabilities greatest since 1924.

## Money and the Market

UNUSUALLY numerous and varied developments marked the financial week. Stock prices hung almost motionless under them. Markets closed Friday and Saturday preceding Easter. Industrials were able to finish at the highest point of the year, but utilities and rails were below last week. Volume of stock sales was decidedly below either of the last two weeks.

Bonds averaged a little lower than last week on good trading. Weakness was in second-grade rails and utilities. Activity and prospective activity in foreign issues are large. The Berlin City Electric issue of $15,000,000 this week was watched closely for indications as Germany hopes to sell more bonds presently. France is engaged in operations, including re-purchase of some of her securities held by the Swedish Match Co. and may buy further for retirement. Denmark is engaged in a loan conversion program. Rumors indicate an early Greek issue. Numerous Latin American projects are discussed elsewhere in this issue. Foreign issues are a little heavy with all of this activity.

The domestic issue field likewise becomes more active. A. T. & T. made plans this week for a stock offer which will take roughly $235,000,000, one of the largest single offers ever made in this market. New Haven railroad plans to raise $50,000,000. J. P. Morgan took up the New York state bond issue of $30,550,000 in entirety.

Acceptances were marked up ⅛% for the only rate change. Volume of acceptances outstanding dropped to $1,539,000,000 at the end of March, it was reported, but stands $334,000,000 above a year ago. Rate of decline of acceptances this year has been much more rapid than last.

The markets had much news upon which to cogitate this week, in addition to the developments in domestic and foreign financing. Among these were the increased unemployment in March, wheat and cotton price fluctuations, higher British income taxes, smaller cotton consumption reported, cut of 4 cents in the price of copper, gain in life insurance sales, marked decline in American foreign trade—even greater than that of Great Britain, more railroad consolidation questions, and the reported reorganization and change of control of Radio Corp. between General Electric and Westinghouse with its wide effects in the radio, electric and motion picture fields. These, with still other developments, gave food for thought.

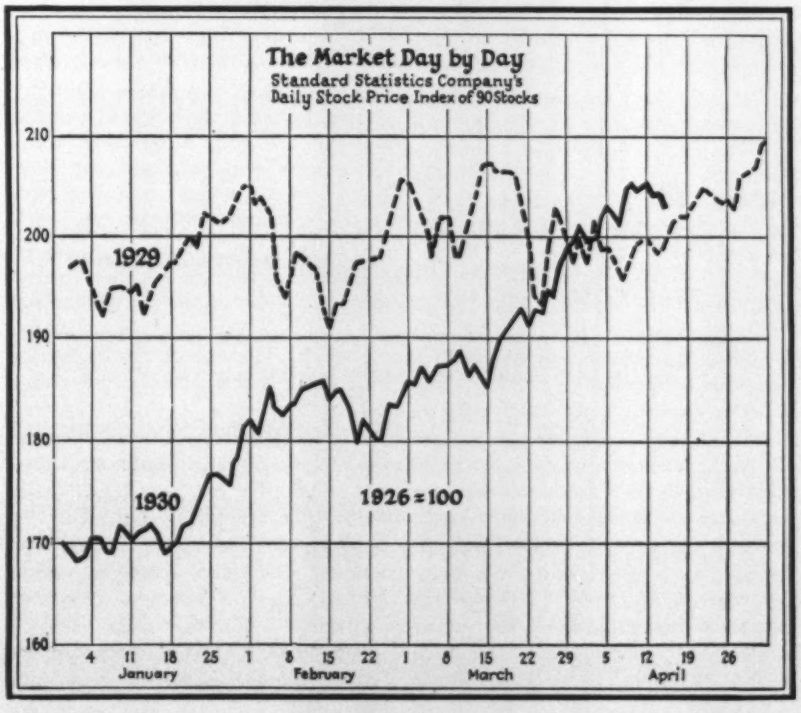
Banking inquiry continues at Washington, making snail-like progress. Rumor of excellent distillation credited Mr. Giannini's widespread organization with negotiating an unusual step, meantime. County Trust Co., former Governor Alfred E. Smith's New York bank, probably will be purchased by Giannini's Transamerica holding company, it was said. And Mr. Smith, with his powerful influence, may stay.

### *Low Discount Rates*

The 4½% Federal Reserve discount rate was abandoned completely this week when Minneapolis bank reduced to 4%. All banks, excepting New York with its 3½%, now charge that rate. Probably the banks couldn't stand the 1% differential with New York. But they're all in position to drop again now. England probably wants to go down to 3%.

The brokers' loan increase of $131,000,000 in the week sent the total rollicking past the 4-billion mark to total $4,125,000,000. Increased margin buying of stocks is indicated indisputably and market action makes it look like distribution. Commercial loans continued to decline. Security loans dropped for the first time since October, the entire drop being in New York. Investments rose for the fifth and time deposits for the seventh consecutive week.

The Federal Reserve did little. Discounts were off $13,000,000, acceptance holdings up $35,000,000 and government security holdings up $8,000,000.



# What America Does With Its Savings

SAVINGS in the United States have shown a steady upward trend for the past 20 years, although in 1929, because of heavy stock speculation and the resultant market crash, there was, for the first time, a decrease in savings bank deposits. During the same period, the rate of increase in building and loan association savings deposits slowed down. At the present time, the grand total of savings in all forms in this country is $121,409,156,000.

The accompanying chart shows the trend in the United States since 1910. It accurately indicates the direction, and the drawing is on a logarithmic scale to show comparable rates of growth. For new capital issues, compilations by the *Commercial and Financial Chronicle* are not available prior to 1921. The 4 forms covered are the only ones in which national savings find permanent lodging.

### *Building-Loan Deposits Rise*

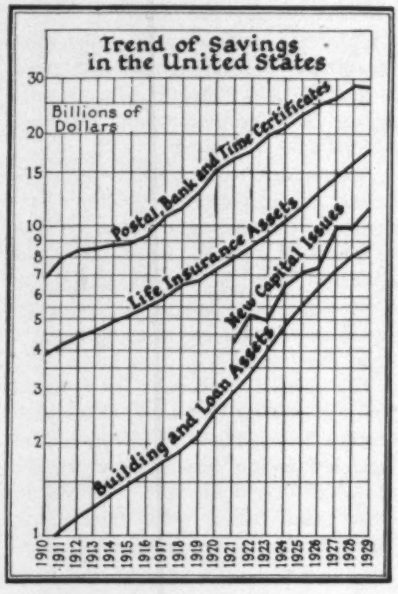
The chart shows clearly that building and loan deposits have had a more rapid rate of increase than any other form of savings. The building and loan associations have largely replaced individual and private lending for mortgage purposes, and so their deposits indicate the organization and progress of the real estate market. The growth of this form of savings has probably been accomplished somewhat at the expense of the savings bank, as, theoretically, has been the growth in capital issues, but savings banks have, nevertheless, continued a marked upward progress.

Lack of figures on new capital issues prior to 1921 prevents the total as shown on the chart from being more inclusive. But except for new issues, the totals are cumulative so that the latest figures include all to date. The irregularity of the line made by capital issues is due to the close connection between them and the changing money market.

### *Savings Bank Totals Lead All*

The savings bank total is $28,217,000,000. This figure is compiled on a fiscal year basis, each year ending June 30. The building and loan totals of $8,606,000,000 are likewise compiled for fiscal years ending June 30. The other two lines show figures for calendar years. The amount of new capital issues for 1929 was $11,606,000,000, and life insurance assets were estimated at $17,800,000,000, on a basis of reports from companies containing about 98% of all assets of the preceding year. The sharp increase in capital issues was possibly due to the eagerness of speculators to buy stock last year.

After June, 1929, savings bank deposits undoubtedly decreased even further as speculation became sharper in the




autumn and as margin accounts were bolstered by money withdrawn from the banks. Since the first of 1930, however, there has been distinct improvement, though the growth has been spotty and probably slower than in former years. It has not yet regained what savings banks officials like to say is a "normal rate of increase." Indications now are that for the year ending June 30, 1930, savings bank deposits will show some increase, even if slight.

The same conditions prevail with the building and loan associations, which were pinched harder by the rage of speculation and the market crash than were the banks. Withdrawals were very heavy. In some regions, improvement has recently been noted, but conditions remain spotty, as shown by a survey by states last week. (*The Business Week*, April 16, 1930.) The rate of growth for the whole of this year may be slower than last.

Life insurance company assets appear to have been unaffected by the stock market disturbances, but such appearance is likely to be misleading. Judged by the same standards as savings banks and building and loan companies—withdrawals—the life insurance companies also suffered. But they make loans on policies, and thus their assets are not decreased, as the loans are actually withdrawals of funds deposited. Sales of new insurance were affected by the market crash and business conditions, but the rate of growth is not apt to be greatly affected.

The total of new capital issues this year is certain to be well below that of 1929, and may not equal that of 1928. Market conditions are not now favorable to the issuance of any large volume of securities.

### *New Securities Issues*

New issues of securities take up more of the savings each year than any other form, and in some years more than all three of the other forms. This is clearly indicated by percentage figures showing yearly growth. For the four forms the growth from 1928 to 1929 was 12.8% but, minus new capital issues, the three remaining forms showed a growth of but 4.1%. Increase from 1927 to 1928 was 15.7%—but only 10% minus new securities. From 1926 to 1927 increase was 17.1% with securities, 8.4% without. And in the preceding year 16.4% with securities, 9.4% without.

Income to people of the country resulting from these huge savings is a very important part of the total national income. The total at present, excluding life insurance, approaches $9,000,000,000 annually.

Greatest portion of this income is from securities, total of which is not, as stated, shown by the chart. Dividend and interest payments on securities exceeds $7,000,000,000 annually at present.

Addition to savings bank accounts through operation of compound interest at a rate averaging about 3½% for 1929 was about $995,000,000. Savings deposits in the country would grow rapidly if not another account were opened. It can be seen that for 1929 depositors drew out this entire accretion from interest plus $195,000,000—or total withdrawals of almost $1,200,000,000.

Building and loan associations provide an addition of about $400,000,000 to the income, often paying at a rate exceeding that of savings banks.

Income from insurance is hardly figurable. Premium "deposits" do draw interest, but varying amounts of these "deposits" go for charges for protection given. The assets of the companies, however, grant insurance of American lives totalling more than $100,000,000,000, a powerful stabilizing economic force.

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# Hog Island, Biggest War Baby, To Become Air, Rail, Water Port

## Philadelphia Leads American Cities in Plan for Great Terminal Six Miles from City Hall

HOG ISLAND, vast and costly war-time shipyard, at last finds peace-time employment. The United States Shipping Board has sold the property to the city of Philadelphia and it will be included in a great municipal airport. The price was $3,000,000.

It is entertaining but unfair to point out that the government spent $53 millions on Hog Island. It built an emergency ship fabrication plant which, after ten years of idleness, can contribute little to an airport except the ground on which it stands.

The $3 million price is twice what the government paid for the land. The Shipping Board is glad to be rid of another white elephant; Philadelphia is glad to acquire what every modern city needs—an airport, handy to population centers, with facilities for land or water planes, large enough to encompass the future of aviation.

### *Manufacturing Sites*

Looking ahead, the city sees a time when it will need Hog Island for heavier industries. The area occupied by the fifty ways along the Delaware river is to be used for manufacturing and warehousing that require tidewater location; the seven piers of the basin where Hog Island hulls went for machinery installation will be available for future shipping needs. The whole area is served by rails (Hog Island had 80 miles of track) which connect with a branch owned jointly by the Pennsylvania and the Reading.

Here is a combination!—a terminal embracing the trinity of commerce—air, land, and water traffic. Since the airport is an immediate and pressing need the city will concentrate on completing it first. Philadelphia has adequate piers closer to Market Street. However waterfront industrial sites already are scarce. A Ford assembling plant was lost to the city because a suitable location on salt water was not to be had. The Hog Island frontage is the last available on the Pennsylvania side of the river, near to the city, on the 35-foot channel.

Philadelphia pays down $450,000 of the $3 millions and guarantees immediately to spend $500,000 for grading the landing field. Interest at 3% must be paid on the remaining balance for the first ten years; for the next ten, or until the entire amount has been paid, interest will be at 6%.

This looks like the answer to an aviator's prayer. It is about six miles from William Penn's tower on the City Hall, a 20-minute auto ride. Improved roads and a proposed tunnel under the Schuylkill will bring it even closer. Since the airport is just below the junction of the Schuylkill with the Delaware, pilots will have no trouble finding the field in thick weather. The spot occupies what aviators call a "fog trough"—not a trough that collects fog but one which remains visible when surrounding landmarks are obscured, which dissipates fog more speedily than adjacent terrain. There are no nearby industrial districts to hide the site with coal smoke.

### *Includes Present Field*

The city already has a Municipal Aviation Field on a tract that will be included in the Municipal Airport. Pilots approve the location and atmospheric conditions.

The entire tract to be assembled includes 1,344 acres. Hog Island is the largest item with 946 acres. The city owns an adjoining 239 acres. From private owners an additional 159 acres will be bought. Here is sufficient space for the huge air terminal for coastal mail and passenger lines of the future.

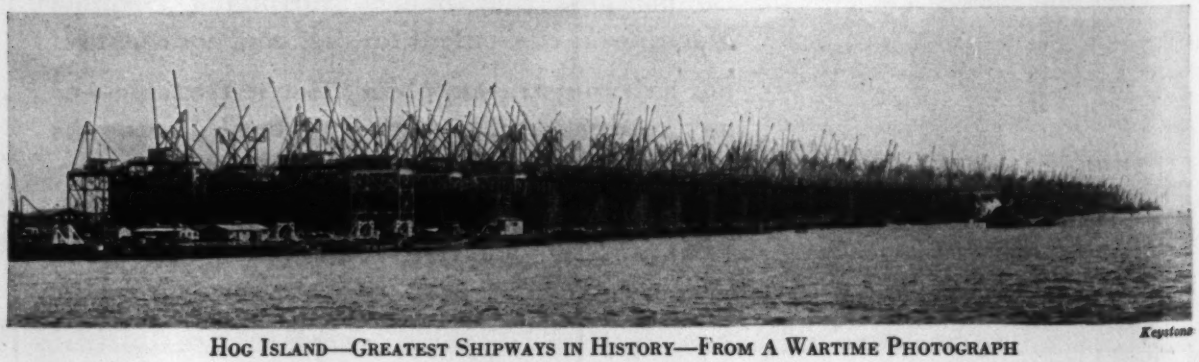
To use a pardonable metaphor, the city is going the whole hog on this field. The $3,000,000 is but a starter. To bring swampy areas to a bone dry elevation, 4,000,000 cubic yards of fill must be pumped from the bed of the Delaware. This fill and surfacing for the entire tract will cost about $1,000,000. Hard surface apron or taxi strips of concrete or macadam (300 feet wide and 4,000 feet long) will require $900,000. Buildings for the accommodation of planes and passengers, $500,000. Drainage, lighting, sea-plane harbor, etc., $1,100,000. Grading and paving of necessary roads, $125,000. Estimated total cost of airport, $6,625,000.

### *Departed Glory*

The memory and the record will preserve Hog Island as one of the great industrial achievements of all time. Work began in September, 1917. A year later it was a complete industrial city of 30,000, equipped to turn out two 7,500-ton cargo ships a week. Stone & Webster built it. They had to contend with every difficulty from labor shortage to terrific weather conditions. There was much protest but the final admission was that the job had to be done to meet a deadly crisis and that cost was the last consideration. (Twenty-nine ships worth $1,000,000 each were turned out at the plant up to May, 1919.)

Today the Shipping Board has 59 men at Hog Island. They guard the property and look after the 36 freighters tied up in the wet basin awaiting a destiny that probably will be scrap iron. They cherish some shreds of pride in the greatness that once was. A lank watchman with the tail of his coat hiked up by a revolver butt indicates the moored freighters with a contemptuous gesture.

"None of them ships came from Hog Island," he says, "Hog Island ships were well built. They are still in service."



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HOG ISLAND—GREATEST SHIPWAYS IN HISTORY—FROM A WARTIME PHOTOGRAPH

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# 71 Farmers of Million Acres Say Management Is the Key

## Leaders in Modernization of Agriculture Say the Trend Is Toward Chains of Family-size Units

EVERYONE is dimly aware that something fundamental is happening to American agriculture. The long period of farm distress and farm relief agitation since the war has brought this fact home to American business men. Advent of the Farm Board has focussed attention more sharply.

The Farm Board was set up primarily as a kind of protector of the millions of individual farmers who have barely survived the vast transformation of modern industry and trade in other lines. Meanwhile a great revolution has begun within agriculture itself. It is being reorganized; new types of farming enterprise are being developed; new methods of production, financing, and marketing are being applied; the industrial, commercial, and financial revolution of the past 100 years in other fields is overtaking agriculture; farming is likewise being transformed into a modern business. In the course of time the Farm Board itself, if it survives, will probably be a kind of directing agency, stimulating and guiding this transformation.

### *As Seen From Within*

It is easy to see this happening from the outside, and it has been discussed often and amply by external observers in general terms. But to what extent are farmers themselves aware of it; how far are they adjusting themselves to it and what do they think about it? *The Business Week* has made an attempt to test what might be called this new business sentiment, opinion, and experience in American agriculture today by asking typical 1930 model farm executives a number of questions and by gathering some facts about their kind of farm enterprise.

*The Business Week's* questionnaire, mailed to 120 picked large-scale farmers and professional farm managers in 15 states of the Middle West, Northwest and South, brought 71 returns from men who farm a million acres.

NORTH AMERICA'S BIGGEST FARMER

*Frank W. Reinoehl (right) is manager of the 23 Elk Valley farms totalling 12,500 acres, at Larimore, North Dakota, and president of the Northwest Farm Managers Association. He goes to Canada June 1 to take charge of 840,000 acres in the three prairie provinces for the Canada Life, Imperial Life, Mutual Life, Federation Life, and North American Life Insurance companies, the National Trust and Royal Trust companies, and the Canadian Pacific Railway*

Large-scale farm management is furthest advanced in the Northwest, notably in Montana where topography particularly favors big machine operations. A "Northwest Farm Managers Association," "an organization ambitious to place agriculture on a business basis," is now in its twenty-first year, headquarters at Fargo. Its president, Frank W. Reinoehl, goes to Canada June 1 to become North America's largest farmer, 840,000 acres.

Five years ago, Rockefeller money was loaned to Fairway Farms Corporation, Bozeman, Mont., to finance what is as yet the only life-size experimental and research project in large-scale farming, 8 farms totaling 16,000 acres. E. A. Starch is in charge. M. L. Wilson is guide and advisor.

### *The Composite Opinion*

Mr. Starch's answer, it so happens, is the composite of the 71 opinions.

"Changes have come like a cyclone," he comments. "In no other 50-year period have they been as rapid or complete as in the last five. A 15-year-old boy now speaks of the old-fashioned days of six years ago in the same spirit of reminiscence as his 70-year-old grandfather speaks of the covered wagon."

Montana figures of machinery sales, the cause of the transformation, confirm this:

| *Year* | *Tractors sold* | *Combines sold* |
|---|---|---|
| 1924 | 400 | 28 |
| 1925 | 1,160 | 112 |
| 1926 | 1,749 | 220 |
| 1927 | 3,607 | 960 |
| 1928 | 5,251 | 1,687 |
| 1929 | 4,520 | 2,300 |

More optimism than *The Business Week* had looked for is revealed. Though some of the 71 are skeptical or pessimistic, faith in scientific agriculture and its future is widespread. Most big farmers are intent on their job, working systematically and scientifically to increase efficiency and cut costs of production. Their hearts are in their work.

One thing is sure—they are paying practically no attention to political farm relief. Although comment accompanies most questionnaires, in some cases running to a thousand words, the Farm Board is mentioned just once.

Excellent opportunity was offered for anyone who really believes that government can maintain prices to say so. Not one of the 71 does.

Question 1 was: "At current prices for land, machinery and labor can capital in well-managed farm enterprises in your part of the country earn a return comparable with that of capital in industry?"

Returns: 38 yes; 29 no; 3 in between;

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1 refusal. Two answers which state that returns up to 5% can be earned were classified as no; 6% or better as yes.

"Yes, if—" is the typical answer. Likewise, many of the negative answers are "No, but—." Consensus of opinion is that the key word in the question is "well-managed."

### *Bigger Operators Say "Yes"*

Per cent of acreage that answers "yes" is considerably higher than per cent of men, about 80%. Of the 16 biggest farmers, those with 10,000 acres and up, 13 say "yes."

D. Howard Doane, of St. Louis, generally recognized as a leading professional farm manager, who supervises on a fee-for-service basis 100,000 acres, replies: "Unqualifiedly, yes."

Mr. Reinoehl answers "Yes" without comment. So also does C. J. Claassen, president, Farmers National Company, Omaha, managing for fee 638 farms, approximately 245,000 acres, largest acreage reported under one management.

"From what I have seen of large-scale farming," says one of the biggest operators, "I am not particularly in favor of it. I have yet to see one that is run in as good a manner as the (good) small farm. The one great advantage the large farm has is that it buys and sells in large quantities. The man who has to buy everything at retail for his farm and sell to the average local selling agency is what we might say up against it."

### *Chain Farms Favored*

This paragraph sums up pretty well a conclusion which appears time and again in the 71 returns. Chain farming is the thing. It adapts our present system of agriculture to the new scientific management. It does not necessitate revolutionary changes. The proper unit in the chain, most of them say, is the family-size farm, which means different sizes in different sections of the country and, as machinery develops, tends to increase in size. In Montana it is about 1,000 acres.

T. B. McCulloch, St. Cloud, Minn., manager of the 25 Whitney farms totaling 7,000 acres states: "We find the smaller or half-section units can be operated to much better advantage than the usual section or two-section units. I feel there is a movement in the air to put on a chain line of farming. But there is wide variety of opinion as to how big farm enterprises should be managed."

D. Howard Doane, of St. Louis, a strong advocate of corporation farming, believes that the best-organized corporation farms of the future will be chain enterprises, but large interstate affairs, with units larger than family-size.

# Farm Machinery Exports Rise; Newer Lands Want the Best

In the face of a general decline in American exports, sales of farm equipment abroad are running in excess of the record year of 1929, $140,796,000. January and February were up about 10%, March not reported as yet.

All good farmers are not American. Years before combines were adapted to Middle West climate they were in use in Argentina and Australia. Today a larger proportion of wheat in the southern hemisphere is combine-harvested than in the northern. The combine, more than any other one factor, is responsible for the serious wheat situation today.

In dairying, largest single branch of agriculture, the American farmer is not first. Denmark and Holland are ahead of him. But the blue ribbon for recent progress goes to New Zealand.

### *Our New Zealand Rivals*

Compelled to send butter 12,000 miles across tropic seas in refrigerator ships, nevertheless New Zealand farmers compete so successfully in world markets that we have a 12c tariff on butter against them. Their cooperatives function effectively. The New Zealand farmer gets 81% of the wholesale price that his butter brings in London, which is better than the Wisconsin farmer can do in Chicago.

The main difference between New Zealand and Wisconsin is that New Zealand uses more machinery and more science.

Though De Laval and others have pushed milking machines in the United States, not more than 5% of American cows are machine-milked as yet. This year International Harvester, for the first time and in a limited way, is offering a milking machine on the domestic market. New Zealand uses them, and every other modern process and machine.

With climate and crops quite like those of the United States, the southern hemisphere takes American machines as they are. Few special models are needed.

In new, or comparatively new, agricultural areas, as Australia and Argentina, or Canada and Russia, large-scale farm machinery can be introduced without having to replace small. Less resistance is encountered. Because the 160-acre farm is the traditional unit of American agriculture, the more economical large-scale operation is hampered here. Equipment companies this year are making more combines in smaller models—Mahomet coming to the mountain. International Harvester's business increases more rapidly abroad than at home.

A big race is going on. Machinery opens up millions of acres that hand and horse methods could not till. Can increasing population and new uses for agricultural products keep up? Many doubt it. If machinery keeps ahead, crop surpluses will be chronic in certain great farming countries—as ours. Prices will fall and keep on falling. Increased buying power in lands now chronically hungry (parts of China, India) might help.

In Canada the 1926 tilled acreage, 38,000,000, was ten times that of 1900, but only one-fifth that of the farm land available. It is to be expected that, long before this vast domain is ever broken by plow, new methods and new machinery making still more millions of acres cultivable, will have been discovered. And Canada is only one country. The big *x* factor in world agriculture is Russia and Siberia.

## Report Success In Training Men

Apprentice-training efforts are achieving exceptionally favorable results in the Davenport–Rock Island–Moline district of Iowa and Illinois, experts from this section report to the American Foundrymen's Association.

Reasons: apprentice's interest is stimulated by active, sympathetic, fatherly attitude of foremen or department heads; importance of training is placed above that of production; proper instruction, suitable materials and equipment are provided; working conditions are kept favorable; assignments are held within the apprentice's capacities; stress is laid on trade traditions and background; praise is distributed judiciously.

Requirements for success in the supervisor are given as: patience, knowledge, sympathy, understanding of young men and boys; good character, disposition and personality.

Skepticism of foremen and department heads toward training efforts is dispelled by: explaining advantages in formal meetings, small groups, or individual conferences; demonstrating results accomplished in other plants; emphasizing need for maintenance of skilled working force; diplomacy.

You can call the roll of the 48 states and all the provinces by the license tags of cars that park around Dufferin Terrace—where the outdoor cafe of Chateau Frontenac provides a restful haven and refreshing Coca-Cola.

# Coming and going through Old Quebec the touring thousands *pause and refresh themselves*

SPRINGTIME again and the call of the open road! Old Quebec City, where everybody goes or wants to go. California and Oregon park with Georgia and Massachusetts to enjoy *the pause that refreshes*. Through rose-colored glasses of ice-cold Coca-Cola tired tourists review one of the great joys of the long, long trail. For, across the Dominion and in every city, town and hamlet in the U. S. A., there's no drink so easy to get, so popular and so surely refreshing. » » » And at home in office or workshop, along hot, crowded city streets, how cheerful this same pause. You relax and enjoy that cool, wholesome refreshment only Coca-Cola can give. Ice-cold, tingling, delicious, it's the one drink that fits all times, all places, all thirsty needs.

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NINE MILLION A DAY

# Steel, Uncertain, Pins Hopes To 1930 Construction Demand

## Other Markets Lag but Structural Orders May Still Make It a 50-Million-Ton Year

THE old forecasting rule of thumb "as steel goes, so goes business" has not been of much use lately. Steel got off with a good lead in the up-turn during January and the first part of February, hitting a level so high relatively to years up to 1928, that it seemed to forecast a strong comeback of business this spring. In the past month, however, it has shown an uncertainty and irregularity that have brought confusion and conflicting opinion into the trade.

### *No Spring Peak?*

Steel production usually reaches its peak for the year in March, and last year carried over to a higher peak toward the end of April; but this year everyone is wondering whether it is going to have any spring peak at all. Authorities disagree, or at least do not agree, from week to week as to the actual rate of steel activity; the steady increase in unfilled orders of the Steel Corporation finds no accepted explanation; nor does the comparatively high rate of steel activity in face of shifting and uncertain demand from steel consumers.

From a long-range point of view the rate of steel production is holding at an unquestionably good level. The first quarter as a whole, with an out-turn of slightly over 12¼ million tons, would mean an annual figure of 49 million tons if the present rate of between 75% and 80% of capacity were held as the average for the rest of the year. *The Business Week*, at the end of last year, said steel production would not reach 50 million tons; but it is by no means impossible that it may reach that figure or very close to it, after all. Between 48 million and 50 million tons would be a pretty good steel year, nearly equalling 1928, which was the record up to last year. The 1929 mark, of course, is being left entirely out of consideration, and no one will think of shooting at it for a year or two at least.

Whether steel succeeds in hitting the 1928 mark again this year depends altogether on the turn of consuming demand from the various major sources during the next 2 months and during September and October, since normally there is a letdown in mid-summer and at the end of the year. The current seasonal uncertainty in steel apparently reflects a parallel uncertainty in general business. Since automobile production usually is at its peak in April or early May and its steel requirements are reflected in steel activity a month or so beforehand, the present situation does not suggest any much enlarged call for automotive steel during the next month, when the peak of automobile production will probably be past. Automobiles are usually less active during the second half than during the first of the year, so that any marked pickup in steel production from this source hereafter seems doubtful.

Steel demand for rails and freight cars has probably passed its peak for the year. The last half in rail production is usually lowest, and railway equipment orders may be expected to fall off unless there is pronounced improvement in rail traffic and earnings.

The spring stimulus from oil and gas pipe demand has helped sustain steel activity in the past month, but this, too, has probably passed its peak for the year. Shipbuilding steel demand has been good and may be expected to increase under the government's enlarged shipbuilding program; but this is a minor factor.

After all, the main reliance for sustained steel activity will be upon structural and other varieties of building steel. Industrial, commercial, public, and utility construction have made a good spring recovery and, together with road building, which requires a good deal of steel nowadays, are expected to increase under the stimulation of easy money and governmental persuasion. This source of demand may offset the relative slackness in other lines to some extent and enable steel to hold at a fairly even level through this and the next quarter, without any pronounced peaks or valleys.

### *Capacity Increased*

While from the outside the steel prospects are fair and the position better than in many other industries with less diversified demand, the inside view is not so good. Steel capacity increased by 4% or 5% last year and further increase, nearly as large this year, will probably bring the current capacity by the end of the year to about 15% above the 1927 level. It is very doubtful whether increased business this year can match this enlargement of capacity. Although, in the light of future growth, this enlargement is doubtless needed, in the present situation it tends to exert some pressure upon prices and profits in the industry.

In some cases, of course, the current downward pressure on prices is a reflection of technical improvements for lower cost production rather than a purely competitive struggle for business. The recent

*Ewing Galloway*

MILLS ON THE ALLEGHENY NEAR PITTSBURGH

reduction of $4.00 per ton in pipe initiated by the National Tube Company, U. S. Steel subsidiary, is a case in point. But for the industry as a whole, increased capacity has apparently been making recently for softer prices and increased overhead costs. The recent consolidation of the European steel cartel and its new foreign marketing projects will probably not make it easier for the American industry to use some of its excess capacity for the export market.

Incidentally, the increase in capacity during the past year has tended to create a growing disparity in the current weekly trade estimates of steel activity and the official monthly figures of the American Iron and Steel Institute. The Institute's estimates are based upon a capacity rating as of the end of 1928, whereas the current trade estimates, which have averaged from 2 to 10 points lower since the first of the year, are apparently based on more current capacity ratings. Thus the Institute's March figures showed production for the month at about 84% of capacity, whereas the average of the current weekly trade estimates for March ran below 75% of capacity.

## French Tariff Bill Has a Few Jokers

*European Bureau*
*The Business Week*

PRESS reports say that the passage, Tuesday, of the French automotive tariff bill at least removes the uncertainty which has bothered American manufacturers for many months. But careful reading of the bill discloses three jokers.

One provides that the new duties are applicable only if they equal or exceed present 45% ad valorem rates but does not specify the basis for comparison. Last week's decree by Minister of Commerce Flandin (*The Business Week*, April 16) establishes a French valuation basis which substantially increases duties. If this basis is continued, the new tariff bill will be practically ineffective.

The second difficulty arises from the fact that truck duties apply only to completely assembled trucks. Higher and virtually prohibitive rates are imposed on bodyless truck chassis which comprise the bulk of American exports to France.

Finally, the engine tariff rates apply only to 4-cylinder engines. Engines with 6 or more cylinders are subjected to a 30% surcharge, equivalent to more than 100% ad valorem. Ford will benefit by this provision while makers of 5 French passenger cars and 5 trucks, which now use American 6-cylinder engines, will find it difficult, if not impossible, to continue their use.

PURPOSE

To gather the news about business and the news which affects business; to present that news accurately, interestingly, tersely; finally, to interpret its meaning with insight and wisdom. This is the purpose of

The Business Week

# Yankees Start Oil Drills In Old Fields of Germany

## We Can Supply Men, Money, Gambling Spirit; A Strike Would Have Far-Reaching Effects

AMERICAN geologists say certain parts of Continental Europe are oozing with oil. Germany is conspicuous among the examples. Yet she fought a world war without oil and lost it, as the great Lord Fisher anticipated, because she had it not. Last week respectable Wall Street promoters announced they were installed and working on a large scale in Northwestern Germany and that the local German government was aiding them in every possible way. Why should this be so? Why must Germany, a technical nation, let a group of professional oil promoters find its deeper sands?

### *Why Americans?*

The reasons are very simple:

1. Oil is a lottery. It is impossible to develop a producing oil business in a country that does not reek of the gambling spirit, enterprise, gumption, recklessness with millions.

2. It is impossible to develop large scale oil production without a looseness in stock selling which would horrify every German from peasant to Hindenburg.

3. Initial oil development requires enormous reserves of free capital. Germany has never had them. Her money went into armies and universities.

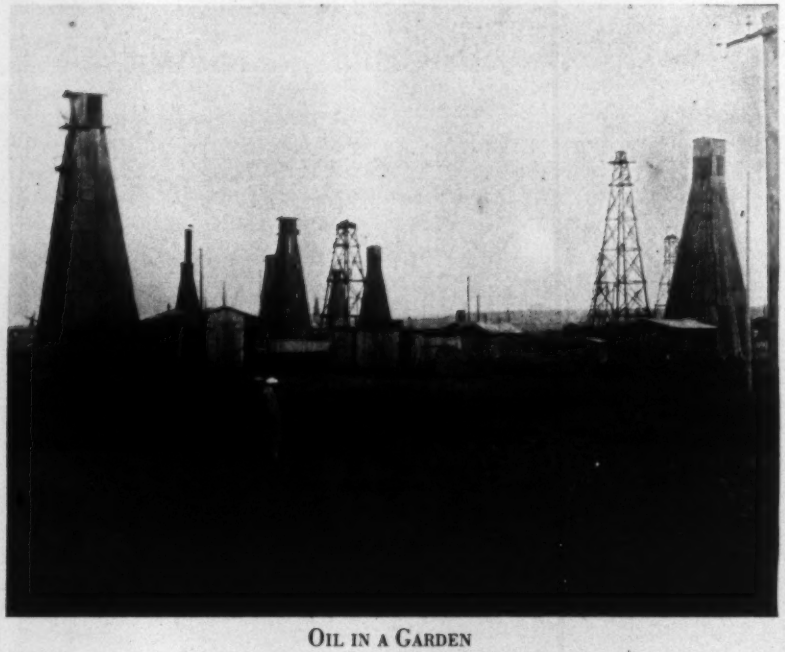
4. No progress can be made without breeding a regular guild or craft of oil men who are as separate and different from surface-soil men as seamen are from landlubbers. The oldest German well was dug in 1859 and is still producing. That was the year of the Drake well in Pennsylvania, America's first strike. But we have half a million men with oil in their veins whereas Germany has none. Anyway, oil would appear to be a trade for Yankees and crazy Englishmen, the kind that are paid allowances to leave for Venezuela. A German production man is almost unimaginable.

5. The mining laws must be favorable. Here it is that France and all countries enjoying the civilized limitations of the Napoleonic Code are ruled out. When the State owns the sub-soil there is no security for the gambler. In this one respect Germany is an oil country. Her laws are by states, like ours. They differ in the twenty-eight states as ours differ in the forty-eight. And in general they follow the grand lines of our mining legislation, with the farmer owning straight to the point where his segment touches that opposite one which is possessed by the Chinaman.

The North European Oil Corporation has had one set-back. Henry L. Doherty had taken options, but announced Wednesday he would not exercise them—whether because his geologists' reports discouraged him or because he did not like the prospect of trying to finance German companies, he would not state.

However this may be, the corporation has made an auspicious start, financially, technically, and in governmental contact. If there are lower sands underneath the ancient and almost exhausted fields of the North-German plain it should be able to mobilize the men, the instruments, and the money to pierce them. Already have astonished peasants observed the housing in their fields of instruments of astronomical delicacy, curiously and mysteriously worked by rough Yankees in frontier clothes who warned in nasal voices that peasants and cows must be kept far from these torsion balances and magnetometers. A Yankee rig or two in tubular steel has shown its lofty lattice among the squat-housed pumping derricks which have for so many years dotted the cleanly plain.

The result! Obviously, if the promoters strike a field, our petroleum export trade to Germany will expire instantly. The far-famed and much touted Bergius process of the I. G. will pass into academic history so far as coal liquefaction is concerned and the Standard of Jersey's combine with the I. G. would certainly weaken. If the field were large there would be export trade in every direction. Should Continental Europe ever develop a regular-sized American-style oil field, the whole superstition that the world must come to us for oil would explode. Europe would declare her petroleum freedom.



OIL IN A GARDEN

*The Oberg field is typical of the German surface drilling. New "deep" wells run 2,100 feet; American deep production over 8,000 feet*

## Air Ferries Show New Profit Source

ANNOUNCEMENT that Air Ferries, Ltd., of San Francisco carried 11,378 passengers the first month was hailed this week by aircraft leaders as evidence of the popularity of air ferry service, establishment of which is pronounced one of the most significant recent aeronautical developments.

Check of 30 days' operation across San Francisco Bay shows that 35% of passengers had become habitual patrons, that 71% were bound on business rather than pleasure, that 37% chose the air ferry in preference to other transportation because they were in a hurry, and that 5,400 persons were carried who had never been up before.

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## *President White of Armour & Co. seen and heard in Talking Pictures*

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# Wide Reading

FOREIGN DISTRIBUTION OF AMERICAN MOTION PICTURES. William Victor Strauss. *Harvard Business Review*, April. Few American industries are more dependent on foreign markets. Problems encountered. Possibilities of foreign producers combining against American films. American business men selling abroad can read with profit.

THE SICK TEXTILE INDUSTRY. Hibbard S. Busby. *Technology Review*, April. Trouble is due to lack of research and lack of a scientifically trained personnel. "Anachronistic management and technique deprive it of success."

FIVE BANKS WITH 8000 BRANCHES. Frederic Edward Lee. *American Bankers Association Journal*, April. Combined resources of Britain's Big Five decreased half a billion in 1929 but cash position and net earnings increased. Public not wholly friendly to more expansion.

PUBLIC ANTAGONISM—A KNIFE IN THE HEART OF THE CHAINS. James True. *Sales Management*, April 5. Bird's-eye view of some typical phases of the fight.

BOLSHEVIK FOREIGN POLICY. Louis Fischer. *Yale Review*, Spring. More economic than political; new force in the Old World.

THE DAY OF THE DIRIGIBLE. J. C. Hunsaker. *North American Review*, April. It's in the offing; shadows that cast themselves ahead.

THE GERMAN TRADE-MARK: A WORK OF GENIUS. Clarence P. Hornung. *Advertising Arts*, April 2. Something not surpassed outside Germany; well illustrated.

IVORYDALE. Beulah Amidon. *Survey Graphic*, April 1. A payroll that floats; year-round employment with profits.

THE FUTURE OF THE ELECTRONIC ART. *Electronics*, April. A new monthly magazine devoted to the news of the development of the vacuum tube.

THE M. D. AND THE ADVERTISER GET TOGETHER ON HEALTH COPY. H. E. Lesan. *Printers' Ink*, April 10. Food products will carry the seal of the American Medical Association—if they are approved.

AIR & RAIL. *Fortune*, April. A fluttering industry considers its ailments, takes counsel from the kindred industry of the rails. Its principal problem is neither overproduction nor crashes, but management.

QUICK FROZEN FOODS. *Food Industries*, April. Progress, methods, drawbacks of a new preserving process.

## REPORTS—SURVEYS

SHIPMENT OF SAMPLES AND ADVERTISING MATTER ABROAD. Department of Commerce, Trade Promotion Series, No. 72, 75 cents. Use "sample post" when sending samples to those foreign countries which have this new class of postal service. It saves money.

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# Old Lady of Threadneedle Street Has Her Face Lifted

## Outward Change Is But the Sign of the New Spirit of Modernity in her Policy

MONTAGU NORMAN was re-elected Governor of the Bank of England for the eleventh time on April 8—more times than any other man in history—but nothing else on Threadneedle Street is to remain the same. Something strange has been happening to the Old Lady. She has changed her habits, her manners, her very dress.

At the congested corner where she fronts the Mansion House and the Royal Exchange rise steel girders and the framework of the new office of the National Provincial Bank, one of the "big five." At the corner where she fronts the unimpressive courts and alleys of the Stock Exchange the new building of the Westminster Bank, another of the "big five," is going up. Hard by in Lombard Street, Martins Bank—which will soon make the "big five" into "the big six"—is making itself a new and imposing home.

### *New Inside and Out*

The Old Lady, great-grandmother of these modern and skittish young creatures, is not content to be outdone. So, the Old Lady is having her face lifted.

The familiar, long, low-fronted building is now itself encased in scaffolding and girders. The building, designed by Sir John Sloan 100 years ago, is being reconstructed by Sir Herbert Baker, R.A. The interior has been gutted. There will arise inside the old shell a taller building. The classic decoration of the low façade will remain unchanged, but it will be the façade of a building four stories higher. So well-conceived has been the new design that the new bank will still dominate architecturally, although not in size, the buildings about it.

The details of the new interior are known to none but high officials and the architect himself. It is to be the last word in modernity, but it is to preserve the traditional atmosphere. There will be at command all the resources of twentieth century ingenuity.

For generations past a company of the Guards has been marched at dusk from barracks to the Bank, to remain on guard over the treasure of the nation. That company of men in scarlet will still march up with flying colors and fixed bayonets, but the new bank will have surer defences.

In the new building will be a flooding apparatus. It will have a triple control. There will be a push-button in the bank itself. There will be another fitted—so whisper says—at the Treasury some two miles away in Whitehall. There will be a third in a remote suburb at the residence of a major official.

The enemies against whom these precautions are taken are hard to visualize. The last effective invasion of London was in 1066. Who then? Wicked satirists have been bold enough to suggest that Governor Norman has his eye on the Communists, who sometimes riot for three minutes.

But the fact is that the one enemy is fire.

Few persons penetrate to the governing rooms of the Bank of England—it is easier to hob-nob with the King or the Premier. So secret have been the movements of Governor Norman that a leading newspaper recently gave it out that "the Governor arrives each day disguised as a Number Eleven bus." One of the results of the mystery has been the growth of a false superstition—that the inside of the bank is like something out of Dickens. That is wrong—Dickens is much too modern.

Let us move the clock back a year or two, and let us suppose that in your English office in Bishopsgate you have received a message asking you to step over and confer with the deputy governor. With a hasty word to your typist you dive into your cupboard and take out your silk hat, which you use for City calls.

Arriving at a low porch, you stop. The usual attendant in his salmon-pink coat and glossy silk hat is not there. You enter. From a glass hutch two of the pink-coated guardians step quietly out. You feel that each is probably at least a viscount. Having stated your business, one of them takes you in charge.

### *The Quiet of the Old Régime*

You pass through a covered way into —most unexpectedly—an open garden-court. Daffodils are in full and generous bloom. All about the centre plot are pieces of statuary—marble fauns and classic gods.

At a massive door an older and even more subdued and impressive attendant in pink coat, but hatless, takes you in hand. You are ushered into a great hall, heavily panelled, carpeted luxuriously. At a wall desk stands another pink-coated acolyte of the mysteries (at least an earl). You whisper your business. He fills in a form, bids you follow him.

The keynote is a kind of spacious silence. A raucous voice, you feel, would be like the trumpets of Jericho, would bring the whole building down. It is not a bank, but an enchanted city where everything goes to slow motion. The massive paintings on the panelled walls are doubtless each worth a king's ransom, but nobody would be such a vulgar fellow as to stay his steps to examine them.

Your new guide ushers you into a small waiting room. This, too, is panelled. A coal fire with a massive fender has before it two easy chairs.

*Pacific & Atlantic*

"3½ PER CENT"

*London's bank messengers rushing from the Bank of England when its governors announced the lowered rate. In the right background, part of the wooden petticoats which the "Old Lady" is wearing during alterations*

After a suitable delay the door quietly opens. Yet another pink-coated attendant appears. He is quite old, a white-haired and benevolent gentleman. (He must be a duke.) Before you know it, you are in the room of the great official—more like the dining room of some old country mansion than a bank parlor.

Somewhere, surely, there are clerks and ledgers! Somewhere, surely, the bank is being a bank! It seems incredible, but it must be so.

This quiet host, quintessence of public-school and university, is very remote from ticking tapes and tattling typewriters. A telephone would be an anachronism.

And yet, the studied air of quietude; the lack of all ostentation and hurry; the sense of perfect taste allied to great wealth; the general feeling that for nearly three centuries the bank has dominated finance and will for centuries yet to come, impresses the visitor more powerfully and creates more confidence than any display of hustle and modernity could possibly do. It is the perfect atmosphere for quiet negotiation.

Well, all that is ended. The new building will have different halls and different courtyards. But the atmosphere will remain. Mechanical accounting, patent flooders, and the resources of modern ingenuity will not be allowed to disturb that deliberate calm and quietude.

And yet, the bank is alive. It controls with unfailing skill the monetary policy of Great Britain. It dominates the money market, it advises the Chancellor of the Exchequer on his loans and conversions, it cooperates with the State in harnessing the banking tides to the task of stimulating employment.

Recently it has given its weight to the Lancashire Cotton Corporation, which is to rationalize Lancashire's staple industry; it has given its aid to the one great English instalment-house financing corporation; it summoned and commanded the leaders in the city when the Hatry crash threatened universal chaos, just as thirty-odd years ago it saved the city from the Baring crash.

### *The Men at the Head*

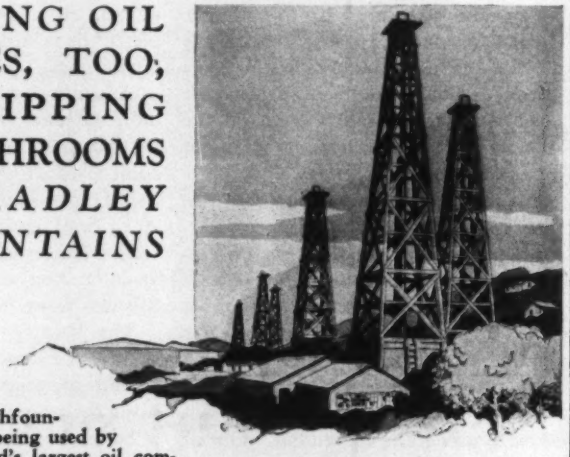
Governor Norman cultivates mystery as part of his job. If he became too accessible his power would wane. The institution is managed by the governor, his deputy governor and 24 directors. By age-old custom these directors are not connected with the London clearing banks but come from the merchant bankers and accepting houses with a sprinkling of directors recruited from great transport groups, like Sir Josiah Stamp, or ex-administrators, like Sir Basil Blackett.

Governor Norman was born in 1871. He served in the South African war and gained a D. S. O. He was first associated with the bank in the early days of the World War. In 1918 he was made deputy governor and in 1920 Governor. In 1923 he was made a Privy Councillor.

The deputy governor, Sir Ernest Harvey, is a tall, clean shaven, reserved man; the governor is more volatile, and his alert, bearded face has in it something of the actor, a touch of emotionalism which gives life to the keen eyes. In his favorite soft felt hat he might pass down Threadneedle Street itself and be mistaken for a stranger from the artist quarters of Chelsea or Bloomsbury—but he would not thank you to say so.

When his fame is finally weighed it will not, perhaps, rest on his control of the international side of finance—he came to the States with Baldwin in '22 to settle the debt—or on the return to the gold standard under his régime. It will probably rest on the fact that he, with his repute for conservatism, modernised the bank, turned its powers to the aid of industry, and equipped it with specialists like Professor Sprague from America and Professor Clay from Manchester to do research into modern international and industrial problems.


LEADING OIL COMPANIES, TOO, ARE EQUIPPING THEIR WASHROOMS WITH *BRADLEY WASHFOUNTAINS*



BRADLEY Washfountains are now being used by many of the world's largest oil companies—huge corporations where every cost is scrutinized and where every piece of equipment must prove its economy.

Bradley Washfountains, by permitting ten men to wash at once around their wide, circular bowls save 25% of the floor space required by ordinary washbowls, save time for workers and allow more men to wash at once without crowding. One company estimated that this saving in shop time *alone* repaid the cost of their Washfountains *every six months.*

Bradley Washfountains use the same size connections as an individual washbowl. Since ten men wash at each Bradley, water savings are often as high as 80%. Bradleys have a low spray which requires men to bend over the bowl while washing. Suds or dirty water do not drip on the floor to make extra janitor work.

Bradley Washfountains have smooth, polished bowls which are easily cleaned and do not lose their lustre, chip or crack.

Whether you're building or remodeling—investigate the economy of Bradley Washfountains. Your piping connections can be utilized, for Bradleys are made in many styles and sizes—for any washroom. Ask for the free Bradley booklet, "*Modern Washroom Requirements*".

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BRADLEY WASHFOUNTAINS

*Oil Companies Now Using Bradley Washfountains*

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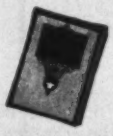
MARLAND REFINING CO.
ROXANA PETROLEUM CORP.
SHELL OIL CO.
STANDARD OIL CO.
THE TEXAS COMPANY
TEXAS PACIFIC COAL & OIL CO.
VACUUM OIL CO.

One Bradley Washfountain will accommodate ten men at once without crowding. The low, central spray gives each man plenty of clean, running water.



(A-967R)

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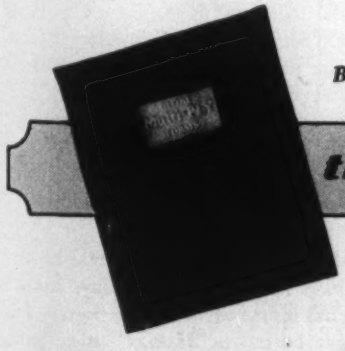

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# Harley Clarke Rides a Hobby To Summit of the Movie World

## Once Had a Film Made to Advertise A Company, and Look What Came of It!

HARLEY L. CLARKE, new head of the Fox interests, is a utilities executive and will likely remain so. The theatre, movie and legitimate, is his second major interest.

About ten years ago Mr. Clarke had an industrial movie made of one of his Utilities Power & Light properties. It impressed him forcefully. It seemed to him that such movies should be used in schools.

He talked it over with his friend and adviser, Dr. F. R. Moulton, noted astronomer and mathematician of the University of Chicago. He and Dr. Moulton decided to organize a company which should market educational motion pictures.

They did so. The experiment cost a half million. They concluded, not that the idea was unsound, but that the time was not yet ripe. Difficulties were encountered all along the line. School teachers neglected to return films. Local union operators objected to their being shown. With many other companies offering films about themselves to schools free of charge, school officers said, "Why pay for movies?"

### *An Astronomer Helps*

In working out this ill-fated project it was necessary to develop a portable projector. This was done, thanks in large part to Dr. Moulton's ideas, who by manipulating astronomical instruments had developed ideas on projecting light. After the educational movie project was given up, Dr. Moulton and Mr. Clarke had this projector on their hands. At that time two projectors, Simplex and Powers, were used in 90% of the motion picture theatres. Mr. Clarke bought the companies that manufactured and distributed them, neither of which had had a great success, combined them, and contributed to the combination the projector which Dr. Moulton had helped devise. He made money.

Shortly after, it occurred to Mr. Clarke that his salesmen might as well sell other things to theatres. The theatre supply business was disorganized. He set about acquiring something like 30 independent supply houses in different parts of the country which, with the projector business, were combined into National Theatres Supply Company. Subsequently this company, further expanded, became General Theatres Equipment, Inc. It still sells more than 90% of all motion picture projectors. It holds patents on the new large-size *Grandeur* film (*The Business Week*, Feb. 19, 1930). Research work in sound pictures and color photography and other scientific developments is still going on; Dr. Moulton still watches it. He resigned from the University of Chicago in 1926 to associate himself with Mr. Clarke, and is today a director of Utilities Power & Light Corp.

### *Essentially An Operator*

Harley Clarke has had a rapid rise in the utility field in the past five years. He is essentially the operating executive in his aptitudes.

Some time before the Foshay collapse, Clarke's holding company took over certain unprofitable Foshay utilities in the Northwest. These are now yielding satisfactory returns. Three years ago two competing utilities in Indianapolis were acquired. Savings of a million a year resulted, a portion of which was passed back to the public in lower rates.

Utilities Power & Light Corp., the Clarke holding company, controls Eastern New Jersey Power Co., serving an important area suburban to New York, and Greater London and Counties Trust, Ltd., serving 2,000,000 population in an area suburban to London. Of the latter, the Earl of Birkenhead, Lord High Chancellor of Great Britain, 1919 to 1922, and Secretary for India, 1924 to 1928, is chairman of the board. The latest company report states: "The territory served includes large manufacturing centers, being largely within a 100-mile radius of the city of London. Use of electrical energy in these cities is increasing at twice the rate of its increase in corresponding American communities."

*Pacific & Atlantic*

HARLEY L. CLARKE

### *Serves 830 Towns*

Laclede Gas & Electric Co., serving St. Louis, and Interstate Power Company, with headquarters at Dubuque, serving some 400 communities, mainly in northeastern Iowa, are the other principal subsidiaries of the Clarke holding company. Altogether, excluding British properties, 830 communities in 19 states and Canada are served. Three-quarter billion kilowatt hours were generated in 1929. Large extensions of natural gas business are now under way. Earnings in 1929 were well in excess of $7 million as against slightly less than $5 million for 1928 and under $3 million for 1927. Property account now exceeds $400 millions. Clarke owns controlling interest. He figured late in 1928 in Chicago's largest real estate deal, when he bought the building vacated by the Continental banks, then merging with Illinois Merchants Trust.

Harley Clarke is full of enthusiasm. He is generous. But he is a careful manager and a hard worker—he gets to his office well before 8 o'clock. The story of his backing Fritz Leiber's Shakespearean troupe illustrates how he works.

### *He Knows His Shakespeare*

In the new Civic Opera building on Chicago's river front are two theatres. Both have utility men for patron saints. At the south end is the Civic Opera, of which Samuel Insull is tutelary genius. At the north end is the Civic Theatre where, immediately after the 1929-30 opera season, Fritz Leiber's performances started, backed by the money of Mr. Clarke. The opera lost money, as always; the other squeezed through with $13,000 profits its first season.

Mr. Clarke backs Shakespeare because he likes it. He reads the plays himself and has reread them until he knows four or five by heart. "Hamlet" and "Julius

Caesar" are two of these. Marc Antony and his associates in "Julius Caesar," he remarks, are a lot like American senators today.

In his private office in Chicago is a big Dutch clock, 200 years old. He secured it after it had been junked, made it run so that it is a marvel of accuracy.

Mr. Clarke is publicity shy. He has been interviewed just twice in five years in Chicago, both interviews granted to reporters who indicated they wanted to talk about Shakespeare.

Harley Clarke is 47 years old. He hails from rural Michigan, a doctor's son. He graduated from Lakeview High School, Chicago, where he first knew Fritz Leiber. He reported on Chicago newspapers, once in the employ of John C. Shaffer, Chicago *Evening Post* publisher, now a director with him of the Chicago Civic Shakespeare Society. Subsequently he became a salesman of machinery. He got into the utility business as a result of selling machinery to it.

## Markets Make Odd Bedfellows

THE DIAMOND MATCH COMPANY furnishes an interesting example of a merger of peculiarly assorted businesses that was grown, not made.

Because it had surplus lumber, the company established 40 lumber yards. This put it into the building supply business. Some of the lumber still left on its hands it started to make into toys and beehives. The latter sell better with other bee supplies, so now the company is in the apiary business, too. Seeking to produce an income from one of its cleared lumber tracts, it planted prunes thereon, which puts it also into the fruit business.

## Cracked Gas to Replace Hydrogen

AN industrial gas called Electrolene, better than hydrogen in many applications but costing about one-tenth as much, has been developed by General Electric Co. The gas is produced by feeding steam and city gas or other hydrocarbons into an electric cracking device.

Generally the new gas may be used in the same ways that hydrogen is. It burns with a higher temperature; permits easier production of a neutral flame for cutting and, because of its neutral effect, can be used effectively in heat-treating operations where the carbon content of the work must not be altered.

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# Muscle Shoals May Yet Be Leased to High Bidder

## Senate Passes Norris Bill for Government Operation but the House Has Different Ideas

UNCLE SAM'S sacred white elephant, Muscle Shoals, still is in the political parade after a decade of barnstorming. Over in the main tent Congress is trying to decide whether to relegate the creature to the sideshow, rent it out as a work animal, or dispose of its carcass for fertilizer.

Passage of the Norris bill through the Senate indicated that its fate might soon be decided, but action of the House Military Affairs Committee this week in scrapping the Norris plan along with all others current, put the question right back where it has long remained. The committee now proposes to substitute legislation to provide authority for leasing the project to a private corporation. The prospects of the bill which is likely to be drafted are hard to gauge until the measure is down in black and white so that political leaders will have something tangible on which to base their decisions. Evidently the House will react favorably to legislation proposed by its committee, but the Senate, having passed the Norris bill, will be more difficult to sway. Present indications are that some compromise may be reached provided the farmers, local municipalities, chemical firms, and other favored interests are given attractive terms.

### *Probable Terms of the Bill*

It is believed that the committee's bill will be similar to the plan proposed to the House last week by Lewis W. Douglas, representative at large for Arizona, who has been appointed a member of the subcommittee which will draft the Military Affairs Committee measure.

That bill instructs leasing so as to insure as nearly as possible a fair return on an amortization of the government's investment. It would permit the lessee to build Cove Creek Dam under the federal water-power act. A maximum use of all project power would go into the production of fertilizers, ferro-alloys, and other products.

Fertilizer is a main consideration, with recapture and conversion into an explosives plant in case of war emergency. The fertilizer would sell at 8% profit. In case the nitrate plants shut down temporarily, the profits resulting from power sales on this account would be credited against the cost of producing fertilizer. Surplus power is to be sold to states and municipalities at a fair price. Appraisal is by a special board. Cove Creek construction would be aided by royalties from down-stream plants, other than those now owned by the United States, in proportion to the advantages due to the operation of Cove Creek Dam. The State of Tennessee could recapture Cove Creek properties at net investment cost, under the water-power act.

If the President could not lease prior to January 1, 1932, under these terms, authority under the Douglas measure would cease.

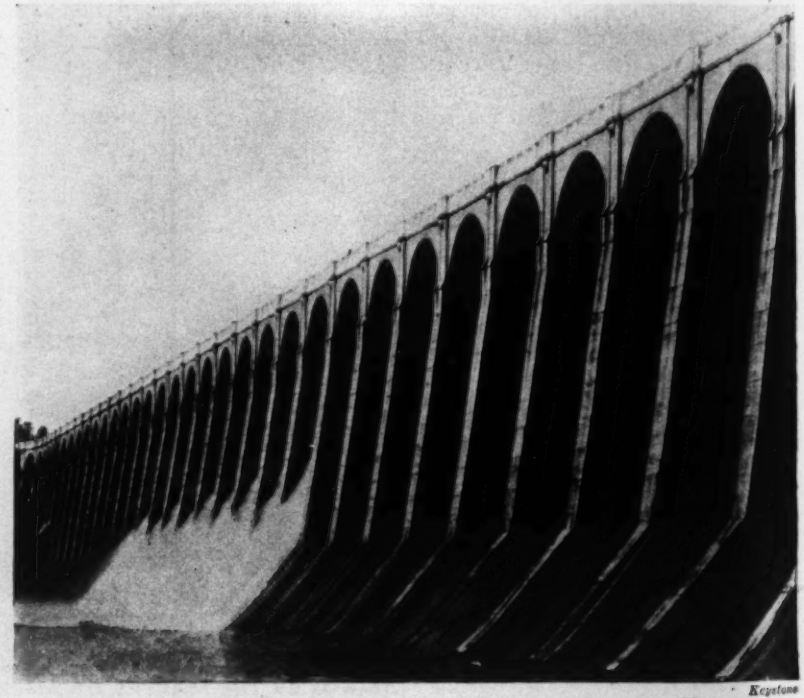
Granted that such a bill as the committee is likely to draft can be passed, one might logically ask what a private firm would want with a property which the government cannot run at a fair return. Some believe the local power market is over-supplied, some think not. The present power output largely goes to waste. New chemical processes put electrical power at a disadvantage in the fixed nitrogen field. Some contend that the Muscle Shoals plants with their obsolete chemical equipment cannot be applied to profitable fertilizer production. Probably it would not pay to start from the ground up and build a new fixation plant at the Shoals, but to earn a profit with the existing plant is simply a matter of capitalization. If the government gave it away with some power privileges, obviously a profit could be made. Somewhere between reproduction value and zero is a fair price which some firm may be expected to pay.

### *Who Would Sign a Lease?*

Who would sign a lease? The American Cyanamid Company perhaps, though this firm is inclined to be cautious since the government crawled out of its war-time contract through a technical loophole after Cyanamid engineers had given the benefit of their experience in erecting the plants on the best basis known at that time. The Alabama Power Company already is buying Muscle Shoals energy. Forced to a showdown, even though they already produce surplus power, others might find it to their advantage to bid rather than let the power be marketed at dump prices.

Whether Muscle Shoals power should be used on the spot for fertilizer and ferro-alloy production or should be sent out on power lines over a wide area, seems debatable. There is some local incentive toward building up a chemical industry which will employ thousands of men and supply ferro-alloys for the Birmingham market by use of local minerals.

The farm bloc suggests that the farm vote can best be cultivated by a liberal application of cheap fertilizer.

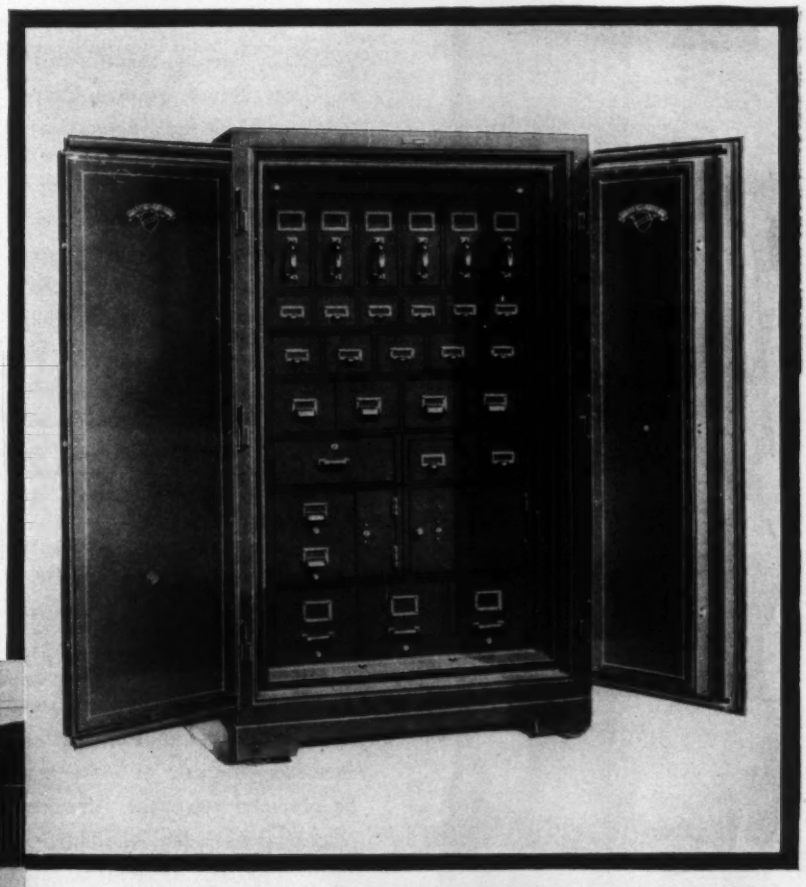


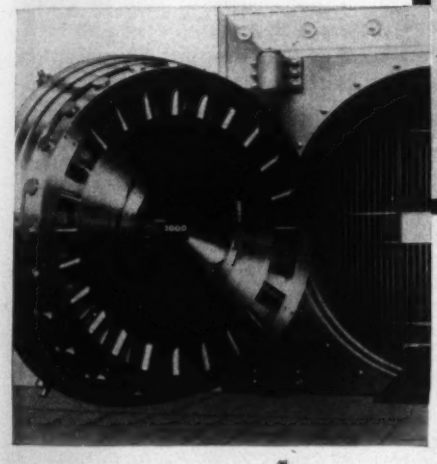
Keystone

MUSCLE SHOALS—THE WILSON DAM—SPILLWAY LOOKING NORTH

# A BUSINESS THAT HAS LOST ITS RECORDS

## is like a man that has lost his memory





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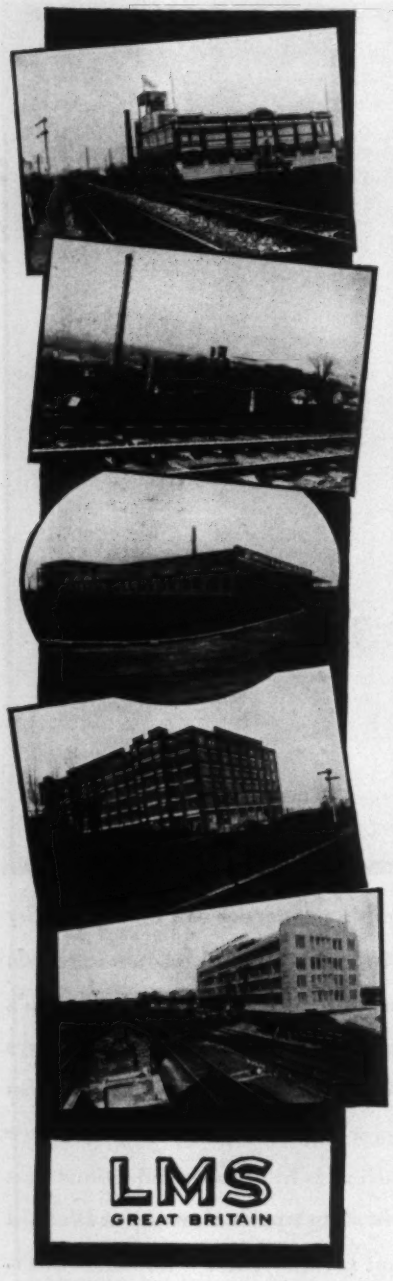


American goods manufactured in Great Britain become British goods—"Made in England."

A product stamped, "Made in England," achieves greater goodwill in England than an imported article. It can be sold for a lower price—at a higher profit—than an import, because of the lower cost of British labor . . . With no customs duties, no over-seas transportation charges, overhead expense is greatly cut.

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# Wall Street Firm Handles Patents

For some seven years Campbell, Peterson & Co., a Wall Street investment concern, have been handling inventions for industry. They have examined them, sorted them out, financed them, sold them. It was an arduous task because no men are harder to deal with than inventors, unless it be the buyers of inventions. No branch of law approaches patents in Chinese obscurity, because no endeavor thwarts vested and ferocious interests like the promotion of inventions. Now Campbell, Peterson have organized a sort of regular service.

### *For 200 Subscribers*

The scheme is simple. This industrial intelligence service will examine inventions sent in by free-lance inventors, financial houses, technical organizations, patent attorneys or brokers, individuals with ideas, and manufacturers in the four conspicuous inventing countries. These are today the United States, England, France, Germany. Results of these studies will be passed along to 200 subscribers in 200 non-competing lines of industry, a somewhat arbitrary classification which has been drawn up by the house on the basis of its experience with patent conflicts. Subscribers pay a fee and a small percentage of royalties on inventions purchased through the service. The service's real profits, it would appear, will lie rather in its reservation of a half interest in the financing of three inventions a year—the other half to go pro rata to subscribers—because the labor of investigating inventions and patents is costly indeed. Furthermore, the service will lend its aid in financing new things for its subscriber members.

### *Change the Atmosphere*

The plague of the selling of inventive brains in the past—and now—is the atmosphere of dishonesty and trickery. The poor inventor's suicide in his gabled attic may mean a manufacturer's, and posterity's, loss. It is better that the whole negotiation should be brought out into the open. An established agency has got to be trustworthy, both from the inventor's and the corporation's point of view, or it will most certainly and most scandalously fail. There is plenty of capital honestly looking for inventions; there are plenty of ideas in men's heads honestly seeking due reward. To put the two together in a straightforward manner is an interesting job.

# Swift Survey of Business Abroad

## EUROPE

*By Special Cable to The Business Week*

FEATURE of the week is the flood of new business legislation. In England, the long awaited budget day brought Snowden's announcement of what tax and tariff provisions he has adopted to meet the $200 million increased expenditures. Business still gets tariff protection, and, at least, indefinite extension of the McKenna duties and a continuation of the safeguarding duties to their scheduled year-end expiration. The German Reichstag passed striking tax and farm tariff measures whereby Europe's most highly industrialized country becomes also Europe's, and probably the world's, foremost agricultural protectionist state. Business in Germany will likewise pay higher taxes. In France, Parliament is expected to pass the budget bill as we go to press, with Tardeiu's program for decreasing taxation scheduled for submission.

Developments in Germany, now that the immediate crisis is avoided, and the course of investment sentiment in New York will be checked carefully in determining the opportune moment for the first issue of Young bonds. European financial prophets forecast a rate of 5½% and an issue price slightly below par, with allotments as follows:

| | *Millions of Dollars* |
|---|---|
| United States | 75—80 |
| France | 75—80 |
| Great Britain | 40 |
| Germany | 25 |
| Holland | 25 |
| Switzerland | 15 |

The remaining $45 million will be sold in Italy, Belgium, and perhaps Sweden.

*By Special Cable to The Business Week*

***Great Britain***—Current business conditions are overshadowed by the budget announcement and are largely featureless. Money is again easier but further reduction in the bank rate is believed now to be out of the question. Montague Norman was re-elected Governor of the Bank of England.

Industrial and trade conditions continue to show a gradual improvement. Commodity markets are fairly active and generally firm. The threatened wool strike materialized when employees rejected the MacGillan recommendation of a 9¼% wage cut, and employers rejected the trade union compromise offer of a 5.8% cut, but long continuation of the strike is not expected. Ocean rates, it is believed, have touched bottom, now are 26% below those of a year ago, and idle tonnage in European ports is estimated at 3 million. The trade deficit for the first quarter was $470 million, identical with the last two years, bur this year it is on a lower trade volume. Foodstuff and raw material imports lead the declines, though imports of manufactures increased. Manufactures show the heaviest export loss, but this is due primarily to textile exports which were blotted out.

*By Special Cable to The Business Week*

***France***—Business continues active. The declining tendency in industry and trade, apparent during March, seems definitely checked, though both wholesale and retail prices are lower. Iron and steel and machinery production are at capacity levels, but other industries are still slow, though general optimism is reflected by the firmness of the stock market.

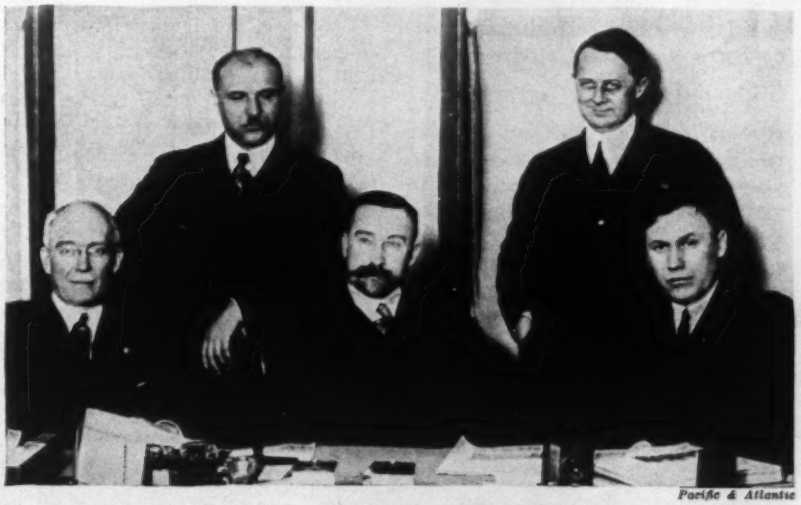
Meanwhile the government's financial program takes shape. The Finance Minister has legally authorized the Young bond flotation. In order to permit internationalization, the bonds are exempted from French stamp and dividend taxes.

The government has introduced a bill providing for a three-fold increase in the import duty on preserved fish which will particularly affect the sales of American salmon. Following new automobile duties, General Motors, Jordan, and Moon have withdrawn their Paris salons. Other companies have not yet made a similar move.

*By Special Cable to The Business Week*

***Germany***—After weeks of dissension which caused the fall of one government, all but precipitated the fall of a second, brought the treasury to the edge of bankruptcy and filled business with uneasiness, the Reichstag, in one swoop, finally passed the government's taxation and farm relief tariff programs and adjourned. That which is now accomplished is far from meeting with the approval of business interests. Industry in particular fears that if the new highly protectionistic farm tariff and farm relief policies are long sustained, they will result in a far-reaching disturbance of the economic equilibrium of living cost. It is not unlikely the next session will be obliged to undo a part of this legislation.

According to first reports, new or increased taxes on beer, mineral waters, tobacco, sugar, both higher duties and taxes on gasoline and kerosene, a slight increase in the sales tax and new supersales tax of ½% on larger department and chain stores or cooperatives, have been levied to yield $133 million extra revenue, of which $90 million is to cover federal deficits, the balance to be distributed among the provinces. This



*Pacific & Atlantic*

RUSSIA CONTRACTS FOR A STEEL MILL

***The Soviet's $182,000,000 steel works, largest in Europe, second largest in the world, will be built by Americans (The Business Week, March 26). Delegates and builders who signed the contract (left to right): Arthur McKee, engineer; A. C. Mamaev and P. A. Bogdanov, president and chairman of the Amtorg Trading Corporation; Robert E. Baker, secretary and treasurer of the McKee Company; V. A. Smolianinov, head of the Soviet Construction Bureau***

part of the new legislation probably will require no early revision until deficiencies are liquidated and the way opened for business tax reductions.

Vertically upward revision of practically all foodstuff tariffs is probably the most radical legislation of its kind in existence and it is doubtful if it will be allowed to serve more than temporary emergency purposes for farm relief. The export debenture system has been extended from grains and flour to livestock and meats. Administrative provisions prohibitive to the imports of frozen meats will be restored and the duty-free import contingent will be abolished July 1. This will severely affect the American trade in grains, flour, packing house products, canned milk.

The belief is gaining that business depression is near bottom, though the decline in coal and steel is not yet checked. March coal production is 35% below last year and stocks are piling up. Steel sales continue downward but this is due partly to diminished exports, pending completion of organization of the international cartel sales offices. The newly formed tin plate and blacksheet syndicate brings the last important German steel product within the highly organized system of the steel cartel. The money market has eased to unprecedented levels, the call rate falling below 1%, something never before known. Terms of the new Dillon, Read loan to the Berlin Electric Power Company established a precedent. This $15 million, 6%, 25-year loan is not only without municipal guarantee or collateral security, but it has no sinking fund provisions.

Germany's own capital resources have recovered. Foreign borrowing since stabilization totals $4 billion but is no greater than German investments in house construction alone during the same period, whereas far larger amounts were invested in reequipment and modernization of industry and trade, in addition to $2 billion reparation payments.

*By Special Cable to The Business Week*

***Belgium***—The business trend, which recently was relatively on the upgrade, this week took a sudden turn downwards, reflected in a 20% drop of stock exchange levels from the recent peak. Three key industries—coal, iron, glass—each developed beyond local requirements, are meeting with difficulties in retaining export outlets. The iron industry has been violating cartel prices, especially in South America. A cartel conference held in Brussels to settle the resulting differences was unable to reach an agreement. The glass industry is affected by the non-materialization of expected reduction in United States duties. Antwerp has ratified the $12 million, 30-year, 5% National City Bank loan for port and public utility extensions, especially to improve potash warehouse facilities to retain the disputed Alsatian export business. The movement towards a German rapprochement is distinctly gaining, with possibility that a Belgo-German market agreement may be executed in deliveries in kind.

*By Special Cable to The Business Week*

***Holland***—Uncertainty as to the developments in Germany and in the United States has suspended activity on the Dutch money and stock markets, though recent bond issues, including German industrials, Royal Dutch debentures, government loans for Chile, Luxembourg, and the Dutch Indies were well supported, and the first quarter total of capital issues was $71 million.

Two events stir business resentment: Sudden and radical increase in German tariffs on all agricultural products, largest credit item in trade balance with Germany, jeopardises Dutch exports, and strengthens growing feeling in this traditionally free trade country for at least retaliatory tariff penalties; secondly, Alsatian Potash Company, practically a French government company, which recently chartered extensive dock space at Rotterdam, has cancelled the agreement after intervention of the Belgian government favoring continued exports via Antwerp.

## LATIN AMERICA

Center of business interest is the money market. Following the prompt oversubscription in New York of the $50 million, 5%, 6-month Treasury notes for Argentina, came the $12 million South American Railways offering, and the additional $3½ million issue for the Province of Buenos Aires. Brazil, with important loans pending, is shipping $25 million to the Guaranty Trust Company in addition to the $23 million already received here. Peru has shipped to New York $2 million, the first instalment of a total of $22 million to build up a reserve against currency issues. Important financing for Argentina and Colombia are expected.

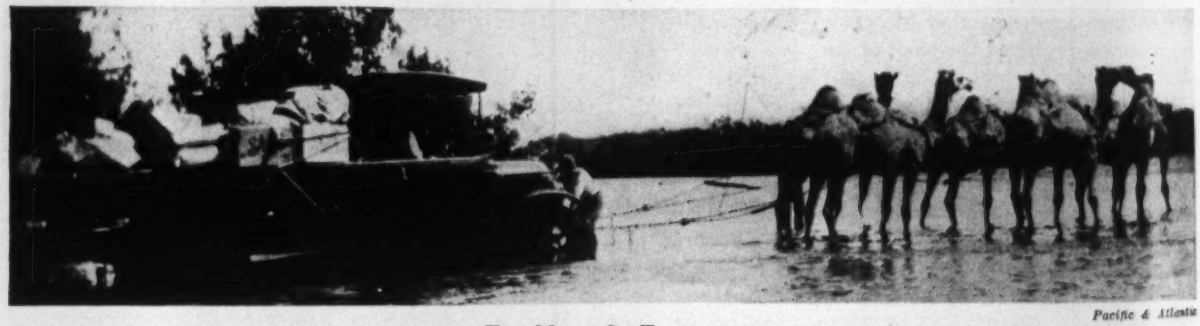
*By Special Cable to The Business Week*

***Cuba***—Dissatisfied stockholders have voted to end the Cuban Single Sales Sugar Agency, following a 9 months' trial which was unsuccessful, lacking Porto Rican and Hawaiian support, in raising sugar prices. Planters and New York traders sanction the move, anticipate readjustment on a free market basis.

Tobacco interests, in the meantime, worried by the tendency in European markets to mix cheaper grades with Havana tobacco, this week received favorably the initial report on a single sales agency for Havana cigars. No reaction to the sugar agency failure is reported yet.

*By Special Cable to The Business Week*

***Argentina***—Business continues hesitant due to the weakness of the peso, which failed to rally with the successful flotation of the $50 million loan. Confidence in the Argentine, however, is evident in the almost immediate oversubscription of the Harris, Forbes offering of South American Railways. The issue was for $12 million of 3-year, 6% notes, the money to be reloaned at 8% for development of the Buenos Aires Central.



*Pacific & Atlantic*

THE MAILS GO THROUGH

*An International Motor Truck, carrying the mails for Messrs. Thornett & Bevan, is helped through the Gascoyne River by camels*

# The Dublin Letters

### From James W. Dublin, President, to Mr. George Clark, Treasurer and General Manager of the Dublin Agency, Referring to an Importunate Nephew

*The "Hawk's Nest"*
*New Hampshire*
*July, 1927*

Dear George:

My nephew, Derby Thomas, who has just graduated from Yale and who is now all set for something with nice pay and fat future, is here visiting us. He manifests an almost exclusive ache for the ad business and has gigoloed Mrs. Dublin into supporting the idea I should invite him into the Agency.

I have, from the start, displayed a proper and genuine reluctance on the score of our relationship; but seem to make no more of a dent than bird shot on a tin roof. Now I am weakening. Bear with me.

I am in the middle of a dicker just now and the probable outcome has some bearing on my final cave-in to Derby's wishes. I do not desire to arouse your curiosity without coming all the way with you, but for the present can't say any more. Don't accuse me of trying to make a teaser campaign.

Derby is personable, drives a car beautifully, plays a good game of golf, won't lie or steal and outside of these scant items his abilities are No Man's Land to me. He may be a fizzer. Or he may be a hot performer in the twig. Since I have no son and heir, I naturally would like to see my nephew honor the blood by showing some high-toned goods—but I can't ship him to the Agency with a factory guarantee because I don't know what's under the hood, if anything.

He is twitching to hop down to New York and talk to *you*. Says he can sell himself to you on his own merits, etc. Shall I stick him on the cars and forward for free examination?

Then won't you let me have a word from you saying whether we shall hire him or steer him past our place to a job further on down the street?

Sincerely,
J. W. D.

### To Mr. George Clark, Breathing Thanks

*The "Hawk's Nest"*
*New Hampshire*
*July, 1927*

Dear George:

Just a little note to thank you for your wire about Derby. Your kind estimate of him would distend my chest were it not contracted by an astringent distaste for nephews under the uncle's business roof. However, this is one more situation we must consign to the time factor I suppose, and I intend to bend over so far backwards in my non-favoritism treatment of Derby that I'll probably have to go to a chiropractor to get the vertebrae popped into normal alignment again.

Above all I hope Derby won't turn out to be one of those "warmth without weight" products we now see advertised. Will stick him on the pay roll in September. Salary: 5 bucks a week less than we'd pay similar youngster in the pinfeathers.

Again thanks.
J. W. D.

### From James W. Dublin to Mr. George Clark, Treasurer and General Manager of the Dublin Agency, Announcing a Purchase

*The "Hawk's Nest"*
*New Hampshire*
*August, 1927*

Dear George:

I received your tart note rebuking me for not answering your last two letters. In reply beg to state that you will, perhaps, forgive my seeming neglect when I tell you I have bought a farm.

It is a rock-spangled 200-acre spread of New Hampshire hillside which slants, dips, pitches and rolls. You have to be gaited to it or you'll sprain your ankle every time you go outdoors. As an antiquarian would say, I acquired it "in the rough."

The picture, besides the buildings, includes a pair of more or less hosses; 6 bush-league Holstein cows that give skim milk; misc. implements as yet uncatalogued; a crew of maverick hens with something out of whack with their egg transmission and some pre-Civil War wagons and buggies mostly disassembled.

Sitting down there behind your slab of mahogany and a push-button in the midst of the throbbing city where they do Big Things in a Big Way, it probably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seems feeble-minded to you that a man can't buy a farm and write letters at the same time. But when you buy a farm, George, something comes into your life—and how plenty!

One of the first things I got up against was the Boston hoot. This was passed to me by an architect named Hoskins who came up here to play golf and finally consented to slight the game for a consulting fee.

The Boston hoot, in case you don't know, is a more finished and deadlier article than the New York razzberry. The New York razz is uncouth and joyous, a noisy pursing of the lips denoting derision but not, necessarily, a deep-rooted desire to wound.

The Boston hoot, on the contrary, is over-civilized, calculated and lacquered with excellent taste. It is a wordless concoction, a gesture *par excellence*, the perfect drawing-room version of nose-thumbing. In it is concentrated all the presumption of superiority distilled from Faneuil Hall, Old South Church, Ralph Waldo Emerson, Little Women, the Boston Tea Party, Abbey's Holy Grail Paintings in the Public Library, Moody and Sankey, and the legend of the polite little boys skating on the Common who told the British General to go to hell.

It took Hoskins a scant 30 seconds to gather his hoot reaction and pull the trigger. Hoskins makes his mind up quick—as he should seeing it was made up for him over the past couple of centuries or so.

He did not, it seemed, think the old farm-house was any good. It is a scoochy, homesteady affair after the Currier & Ives lithographic mode of 1860 and I thought Hoskins would appreciate its quaint, pictorial quality. Quite the reverse.

He hopped out of the car as we drove into the yard, offered Mrs. Dublin a gallant hand to the ground and says: "Not true Colonial, not the pure early tradition."

Then he gave Mrs. Dublin a smile like an icicle with sugar sprinkled on it and, for nasty punctuation, lifts one eyebrow—*just the one eyebrow, the one he hoots with*—and kept it suspended halfway up on his Harvard forehead.

Mrs. Dublin began to turn a hurt pink, as if some social leader had caught her eating peanuts at the opera.

By and by he said, talking out of a kind of reverie: "A badly designed house is as distressing as an unhappy marriage and just as hard to get rid of."

He let this soak—and then measured me for the crusher.

"You," says he, eyebrow up at me this time, "expect to spend a substantial sum of money remodeling this-er-cottage."

I said "No, I don't."

"You will," says Hoskins. "There remains only one question. Shall this money take the form of something beautiful and in the right spirit? Or, shall it turn out to be an ugly little mediocrity which betrays one's lack of taste and imagination?" Eyebrow up at Mrs. Dublin. "What?"

These few words and eyebrows from Hoskins damned well informed me that what I paid for the farm was merely snapping the rubber band off the roll.

But are we down-hearted?

NOPE.

I am going onward and upward—though it may be onwards and upwards of 50,000 bucks, judging from the way Hoskins now has me yessing him out of his hand.

And this is why I did not answer your two letters—although I suppose you will say that I have written enough here to answer a week's correspondence. That's right. Man seems to have a perverse talent for using up more labor explaining why he couldn't do a thing than it would take to do the thing in the first place.

Good regards—

Jim

*Utilities* ► **Process Steam as Power By-Product**

PROCESS steam as a by-product of power generation is assuming importance in the elastic utility field. There is definite trend toward construction by electric companies of smaller central stations near large industries requiring steam for heating and manufacturing purposes. Examples are to be found in Wilmington, Del., Mobile, Ala., Baton Rouge, La., and Rochester, N. Y.

At the same time, there is a strong possibility that this idea will not be left to the utilities for development—that neighboring manufacturers will themselves build central power plants to supply both steam and power. Opportunities exist to secure capital for such a combined plant on a payment-out-of-savings basis.

Experienced power plant engineers point out that the combined steam and power loads of several plants will result in a more uniform demand for both these services and in better heat balance conditions, thus enabling a central plant to supply power and steam at a lower cost than could an individual factory or utility company.

# *Mr.* Wilson TALKS *Tire Economy* IN TERMS OF DUALS

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Generalizations, claims, promises, find little place in his methods.

He deals in the concrete. He can't talk tire economy abstractly. Service is considered in selling quality.

Here is a specific case. He recently called on a prominent contracting firm. They were having tire troubles.

He first made his usual investigation of their truck equipment. He found that the operating cost on heavier trucks was unusually high. Someone had *supposed* "good" tires would certainly meet their requirements. As to the proper size, the type, the combination, there had been little thought or consideration.

Mr. Wilson soon discovered that the use of dual rears over singles would cut expenses considerably. He *demonstrated* to the purchasing agent that duals would give better load distribution, a greater carrying capacity, more traction, resulting also in faster schedules, fewer delays.

This firm was sufficiently grateful for Mr. Wilson's unusual type of service that they now *rely upon him* for Goodrich Truck Tires, and also for *engineering* advice and *counsel* on all matters relative to transportation.

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## EDITORIAL

# The Economics of Original Sin

ONE of the curious phenomena of periods of poor business like the present is the appearance and popularity of a strange perversion which should be called, if it were called anything, *depressomania*, or *prosperophobia*.

Its addicts derive peculiar pleasure from dwelling on the thought that depression was inevitable, salutary and according to divine law, and that any effort to hasten the restoration of prosperity is premature, perilous and somewhat immoral. Particularly susceptible to this vice are certain sects of economic masochists and statistical sadists—queer fellows who, for present purposes, may be defined as those who gloat over sad statistics and believe in the supreme spartan virtue of not only taking one's medicine but in asking for more of the same.

The college yell of this fraternity is, "I told you so" (which, by the way, they didn't); their inspiring slogan or password is, "Wait and see"; their special heroes are the terrible twins Action and Reaction—the Amos and Andy of Economic Law; and their favorite exercise is The Long Run.

Every time carloadings go down and business failures go up they take it as a rumbling thunder of warning to the wicked. When employment drops and brokers' loans rise they receive the news with superior satisfaction as a sign of justification from Sinai for the righteous. Let anyone suggest that governmental cooperative effort, public construction work or cheaper credit might advance business recovery, and they point with holier-than-thou horror to the tables of the economic law and the moral lessons to be drawn from the investigations of Adam (Smith) in the economic Eden of eighteenth century England.

For business slumps, they assure us, are an inescapable consequence of some original economic sin, and prosperity can be restored only by a duly prolonged process of penance. To try to escape or ease the punishment by appropriate credit or other policies is to seek to cheat the gods of their due sacrifice, to defy natural laws by bootstrap levitation or some other immoral and unrighteous racket. Cheap money is a mere medicine, or worse, an intoxicant, which only eases the pain and spares the suffering which are intended to teach us a lesson. For hard times were ordained to be hard, and intelligence was given us to enable us to see that nothing can be done about it.

We have little taste for puritanical pleasures of this kind. A fatalistic philosophy of this sort seems to us as futile and infantile as blind optimism and ballyhoo. We believe neither in blinking the facts nor in being bowled over by them. We are sure that American business men are too adult and normal to believe that unemployment and depression are good for anybody, that they are necessary, or that they must be permitted to run their course. We refuse to admit that workers, employers, bankers are helpless bystanders in an automatic economic cosmos which grinds out their destiny like a remorseless machine, for better or worse.

Inasmuch as we have created this machine ourselves, we prefer to think we can learn to control it. Even though our experiments may be mistaken, earnest, intelligent effort, public and private, seems to us somehow more sublime than supine suffering or resigned rectitude.

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